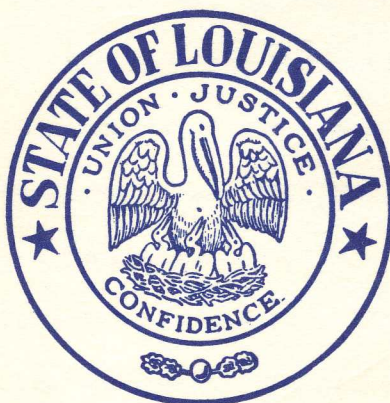


MAJOR PROGRAMMATIC AND BUDGETARY ISSUES



LEGISLATIVE FISCAL OFFICE

1980




STATE OF LOUISIANA
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TO: Speaker of the House, President of the Senate and All Members
of the Louisiana Legislature

FROM: Mark C. Drennen, Acting Legislative Fiscal Officer 

DATE: April 21, 1980

The Legislative Fiscal Office is required by Title 24:603 of the Louisiana Revised Statutes to point out unnecessary State programs, to call attention to inefficient and uneconomical practices and to make recommendations for improvements; to continuously review existing and proposed programs and budgets of state agencies and to review and evaluate requests for appropriations, including proposed plans and policies relating to such requests.

In response to this statutory responsibility and obligation, the staff of the Fiscal Office has identified and compiled in this report many of the major programmatic and budgetary issues which are associated with the various State agencies for next fiscal year. This compilation is an attempt to highlight for each member of the legislature these issues so that you may be better able to address these during the 1980 Session. Further details on these issues are available from the Fiscal Office staff.

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DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Introduction

For the past several years, the Department of Health and Human Resources (DHHR) has been the object of considerable attention, publicity and criticism for deficiencies in both its management and programmatic activities. Although a few isolated problem areas are beginning to be addressed, the same fundamental inadequacies continue to plague this Department's operations. These problems pervade all areas of the Department including administration, planning, personnel, fiscal management, facility utilization, information systems, and service delivery. Such attempts at remediation as the Legislature has provided have so far produced minimal results. The Department's actions during fiscal year 1979-80 and the proposals being made to the Legislature through the FY 1980-81 budget requests demonstrate that this Department has not yet come to grips with many of its most basic problems. Thus, DHHR will continue to require extensive analysis, review and oversight on the part of the Legislature.

The sections which follow do not attempt to delineate all of the management and programmatic problems of DHHR. Rather they are designed to highlight major areas in which the Legislature is likely to be called upon for action and decision-making during FY 1980-81. These issues are also arrayed in a manner that illustrates the complexities, commonalities and inter-relationships among the problem areas in DHHR. In particular, the first four issues (facility utilization, new institutional construction, community program development and planning) serve as classic examples of the nature and magnitude of

the problems facing DHHR and the implications of the Department's continued inability to address its management and service needs.

Facility Utilization - State Operated Programs

ISSUE:

The Department of Health and Human Resources operates eight retardation institutions, five major mental hospitals, two in-patient substance abuse facilities and twelve hospitals. These institutions are extremely expensive operations because of the necessity of providing 24-hour care and of having available specialized professional staff. However, as a result of changes in treatment philosophies and medical technology, expansion of community-based and out-patient resources, and changes in Federal and State legislation, these in-patient institutions are experiencing critical declines in both their bed capacities and population.

At the same time, the costs to retain professional staff and to maintain the aging physical plants and equipment of these facilities have risen dramatically. In particular, the FY 1980-81 budget submissions mark the beginning of requests for massive infusions of additional resources into existing institutional programs. As an example, the Office of Mental Health and Substance Abuse has requested 289 new positions (with an annual cost of more than \$2.4 million in salaries and benefits alone) to partially implement enhanced staffing patterns for nurses and aides in just three of its institutions. DHHR has been unable to estimate the number of new positions which will eventually be required or to determine the cost that can be expected for full implementation. However, based on information provided to the Legislative Fiscal Office, this cost may run as high as \$7 million annually in salaries and benefits alone.

Comparable types of requests are also being presented for hospital and retardation schools.

In making these requests, the Department has not presented to the Legislature its short and long range goals for its existing facilities and has not defined the role that each facility is to play in the overall system of delivery of services. Without such guidelines the needs of individual facilities have been, and will continue to be, addressed on a piece-meal basis as crises emerge. The result is an enormous expenditure of resources with little assurance that such expenditures will be sufficient and appropriate to provide high quality services to the Department's clients.

Equally as critical is the Department's failure to recognize the essential inter-relationships between existing institutional programs and new and expanded program developments which are occurring throughout the Department. These developments, which include the establishment of new in-patient institutions, expanded community residential facilities and increased community support services, will have significant impacts on the future role of existing institutions and will undoubtedly alter the number and characteristics of clients to be served, the nature of the institutions' program offerings, and the need for physical and staff resources. Yet the Department has presented no projections of the potential magnitude and nature of these impacts and continues to deal with each of these areas in isolation from the others. In the absence of such comprehensive analyses, DHHR is unable to provide the Legislature with a coherent framework in which to make budgetary and programmatic decisions.

Facility Utilization - Purchased Services

ISSUE:

The dual problems of declining utilization and rising costs characterize not only DHHR's state-operated institutions but also its purchase-of-service programs with private providers. In particular, the Facility Payments program¹ in the Office of Human Development has risen from \$19.7 million in 1977-78 to nearly \$24 million appropriated in FY 1979-80. During the same period, caseloads have declined drastically, from 2,379 in 1977-78 to an estimated 1,628 in 1979-80 (as of February 29, 1980). In the initial stages this decline could be attributed to the transfer of responsibility for day programs and educational services from DHHR to the Department of Education. However, even after this transfer was accomplished, the caseloads have continued to decline dramatically, and a surplus of more than \$5.3 million in the program can be projected for FY 1979-80.

DHHR has so far been unable to definitively explain the causes for this situation. The Department lacks the client tracking, referral and management information systems necessary to determine whether these clients are being served by other programs in DHHR, are being maintained in their homes, are being diverted to other agencies (e.g., Corrections or Education), or are simply not being served at all. The Department also lacks needs assessment information from which to determine what level of demand can be expected for such programs.

¹ Formerly Exceptional Children's Program, Office of Youth Services Institutional Program, and Office of Family Services Institutional Foster Care.

In spite of this situation, the Department's budget request for FY 1980-81 continues to reflect significant increases. The revised budget request (submitted April 7, 1980) includes funding for Facility Payments at \$25.4 million with a caseload of 1,803. In addition, the Department is requesting to initiate massive new thrusts for even more community residential services and state-operated facilities. The latter request is discussed further on pages 18-19.

The incongruity of this situation cannot be overlooked. The Legislature has consistently expressed strong support for such purchase of service programs, but the lack of a clear explanation of recent trends and a realistic basis for future projections makes it impossible to determine what level of funding is appropriate to meet the needs of these clients in 1980-81. Until such changes are understood and evaluated, it is also impossible to determine what new program expansions may be justified.

New Institutional Facilities

ISSUE:

In spite of the critical problems, declining utilization, and uncertainties in existing institutional programs, DHHR is simultaneously embarking upon a massive program of renovation and construction of new institutions. More than \$115 million has already been authorized and another \$211 million is being requested (see pages 9-17). DHHR has yet to present a comprehensive and coherent statement outlining the need for these new facilities, the role they will play, the manner in which they will be integrated into the Department's service delivery system, and the impact they will have on other existing and planned programs. The planning activities (e.g., needs and resource assessments, analysis of current utilization and caseload trends, investigation of alternative approaches, fiscal impact statements) which are essential prerequisites for projects of this magnitude have been sketchy and unsystematic at best. Even among those facilities which are nearing completion, there continues to be uncertainty and lack of specific information on program offerings and clients to be served.

Before a rational decision can be made on these projects either individually or collectively, there are numerous critical questions which need to be answered. These questions range from high level policy issues (e.g., what will be the future role of the charity hospital system?) to practical, operational issues (e.g., will there be sufficient manpower to adequately operate these new institutions?). DHHR has yet to identify and articulate these issues and to present

them to the Legislature and the Administration in a manner that can lead to a definitive resolution.

DEPARTMENT OF HEALTH AND HUMAN RESOURCES CAPITAL OUTLAY

MAJOR RENOVATIONS AND NEW CONSTRUCTION¹

Charity Hospital System

Authorized Projects

New Requests

E.A. Conway
- planning and land
acquisiton for new
hospital - \$ 2.0 million

E.A. Conway
- new hospital - \$23.5 million
- family practice
building - \$ 2.7 million

Earl K. Long
- planning and land
acquisition for
hospital expansion - \$ 1.0 million

University Medical
Center (Lafayette)
- new hospital - \$21.0 million

University Medical
Center (Lafayette)
- medical staff and
dental annex - \$ 2.3 million
- equipment for new
hospital (supplement
to original autho-
rization) - \$ 3.0 million

¹ The following pages reflect only those projects which entail construction of new facilities or which represent material renovations which would alter the size, capabilities or program offerings of existing facilities. Projects for routine maintenance and upkeep or for the acquisition of equipment only are excluded.

Authorized ProjectsHuey P. Long

- expansion of
radiology and
emergency room areas - \$ 1.6 million
- renovations - \$ 1.1 million

Dr. Walter O. Moss (Lake Charles)

- expansion of
radiology and
emergency room areas - \$ 1.6 million

Lallie Kemp

- expansions of
medical records area,
laboratory, emergency
room; new doctors'
quarters; medical
equipment - \$ 1.7 million

New RequestsHuey P. Long

- new wing addition - \$ 2.1 million

Dr. Walter O. Moss (Lake Charles)

- construction of ICU - \$ 0.5 million
- renovation and expansion of laboratory - \$ 2.1 million
- construction of
special services unit - \$ 0.5 million
- construction of
physical therapy
department - \$ 0.2 million
- construction of
physicians' offices - \$ 0.4 million
- administrative
offices - \$ 1.0 million
- renovation of offices
in walk-in clinic area - \$ 1.2 million

Lallie Kemp

- doctors' departments
construction - \$ 0.6 million
- doctors' office
building and computer
room - \$ 0.5 million
- expansion of radi-
ology department - \$ 0.9 million

Authorized Projects

Washington-St. Tammany

- renovations - \$ 0.4 million

N.O. Home and
Rehabilitation Center

- purchase and
renovations - \$ 5.0 million

New Orleans¹

-additional construction and
renovation - \$42.3 million
-satellite clinic - \$ 0.7 million

Total \$77.4 million

New Requests

Washington-St. Tammany

- family practice and
ambulatory care center - \$ 2.8 million
- acute care and tri-
med unit - \$ 3.0 million

South Louisiana Medical
Center (Houma)

- hospital expansion - \$ 4.7 million
- linear acceleration
and building - \$ 1.1 million

New Orleans

- renovation of psychi-
atric facility - \$ 1.0 million
- burn unit - \$ 2.5 million
- surgical intensive
care unit - \$ 0.6 million
- emergency room - \$ 7.0 million
- prison unit - \$ 1.1 million

HEAL

-long-term care
facility for VA
hospital - \$ 7.2 million

Total \$73.5 million

¹ \$5.0 million has also been authorized for planning of a new hospital in the Medical Center Complex in New Orleans.

Mental Health and Substance Abuse System

Authorized ProjectsCentral

- renovations to units
5, 6, 7 and 8 - \$ 1.8 million

Greenwell Springs

- vocational rehabilitation dormitory - \$ 0.8 million

Feliciano Forensic

- planning for new unit - \$ 0.2 million

Southeast

- 165 bed units - \$ 5.5 million

New ProjectsCentral

- renovations to units
5, 6, 7 and 8 - \$ 2.8 million
- new admissions unit - \$11.0 million
- satellite cottage - \$ 0.5 million
- pre-vocational
evaluation building - \$ 0.4 million
- gymnasium - \$ 0.5 million
- activity center - \$ 0.5 million

East

- admissions unit - \$ 4.0 million
- community building - \$ 3.4 million
- clinical services
building - \$ 1.8 million

Greenwell Springs

- cottages - \$ 0.6 million
- gymnasium and recreational facilities - \$ 1.7 million

Feliciano Forensic

- gymnasium - \$ 2.5 million

Southeast

- 165 bed units and cottages - \$ 5.2 million

Mental Health and Substance Abuse System (continued)

Authorized Projects

New Orleans

- new hospital - \$14.3 million
- planning for substance abuse facility - \$ 0.1 million

New Requests

New Orleans

- new hospital and parking facility - \$12.2 million
- community cottages - \$ 5.0 million
- forensic facility¹ - \$39.1 million
- group homes - \$ 0.3 million
- substance abuse center - \$ 1.7 million

Shreveport

- new hospital and cottages - \$10.8 million
- forensic facility - \$ 3.2 million
- group home - \$ 0.3 million
- addition to Pines Treatment Center - \$ 2.5 million

Alexandria

- forensic facility - \$ 3.2 million

Baton Rouge

- forensic facility - \$ 3.2 million

¹ The Department of Corrections has requested \$10.0 million for a psychiatric facility in New Orleans. This is in addition to \$2.0 million currently authorized.

Mental Health and Substance Abuse (continued)

<u>Authorized Projects</u>		<u>New Requests</u>	
		<u>Lafayette</u>	
		- group home -	\$ 0.3 million
		- planning for old -	
		Lafayette Charity	
		(Mental Health) -	\$ 0.2 million
		- renovation to old	
		Lafayette Charity	
		(Substance Abuse) -	\$ 0.9 million
		- comprehensive care	
		center (Substance	
		Abuse) -	\$ 4.1 million
<u>Crowley</u>		<u>Crowley -</u>	
- day hospital -	\$ 0.1 million	- day hospital -	\$ 1.1 million
<u>Vivian</u>			
- long term care			
facility -	\$ 1.1 million		
<u>Lake Charles</u>			
- renovations to			
Briscoe Center -	\$ 0.7 million		
Total	\$24.6 million	Total	\$123.0 million

Mental Retardation System

Authorized Projects

Belle Chasse

- renovations - \$ 0.7 million
- construction of gym,
auditorium and field
house - \$ 2.4 million

Hammond

- renovations - \$ 3.0 million
- construction of work
activity center - \$ 0.2 million

Northwest

- renovations - \$ 0.3 million

Pinecrest

- renovations - \$ 0.9 million

New Requests

Hammond

- office building - \$ 1.1 million

Leesville

- construction of girls
dormitory - \$ 0.6 million

Pinecrest

- conversion of existing
dormitory and infirmary
to office space and
classrooms - \$ 0.7 million
- new central kitchen - \$ 1.7 million

Mental Retardation System (continued)

<u>Authorized Projects</u>		<u>New Requests</u>	
<u>Southwest</u>			
- construction of special services building (Iota campus) -	\$ 0.5 million		
- construction of respite care unit and work activity building (Opelousas campus) -	\$ 0.5 million		
		<u>Ruston</u>	
		- cottage renovation -	\$ 1.3 million
		- diagnostic evaluation center -	\$ 1.5 million
<u>Thibodaux</u>		<u>Thibodaux</u>	
-purchase and renovations -	\$ 3.8 million	- equipment for new facility (supplement to original authorization) -	\$ 0.5 million
Total	\$12.3 million	Total	\$ 7.4 million

Other Department of Health and Human Resources Agencies

Authorized Projects

New Requests

Office of Human Development

Division of Rehabilitative
Services

- renovations to Our
Lady of the Lake
Hospital building
for rehabilitation
center -

\$ 1.1 million

Division of Youth
Services

-construction of 7
new detention centers - \$ 6.9 million

Total

\$ 1.1 million

Total

\$ 6.9 million

Development of Community Programs

ISSUE:

The Department of Health and Human Resources is in the process of finalizing a Plan for Community Alternatives which delineates the Department's future objectives for developing community residential, non-residential and related support services (e.g., group homes, public education programs, diagnostic services, etc.). These services are designed to prevent individuals from entering institutions as well as to assist in the re-integration of persons being released from institutions. The plan is intended to be a coordinated effort which addresses the needs of numerous client groups and which encompasses services offered by all of the agencies of DHHR. Although this plan is still undergoing review, initial funding is being requested for FY 1980-81.

While the need for such a comprehensive plan has long been recognized, this particular document raises numerous questions, primarily in the areas of needs assessment, administration, resource utilization, fiscal impact, scope and time frames for implementation.¹ The plan is extremely ambitious and represents a major new policy and program initiative for the Department. As an indication of the plan's magnitude, the current objectives call for the addition of a minimum of 5,000 new community-based beds by 1985. Implementation will require a significant commitment not only of new resources but

¹ A detailed analysis of these issues is available in a separate report prepared by the Legislative Fiscal Office.

also of existing management and program personnel from the Department. The Legislative Fiscal Office has requested DHHR to estimate the cost of this plan, but DHHR has responded that such information is not available at this time.

Obviously, a plan of this magnitude can be expected to significantly change the need for and nature of existing institutional programs. However, these effects have not been identified nor analyzed by DHHR, and in fact there is no reference to the potential implications of this plan for current institutions. This plan has been developed independently of the Department's concurrent efforts to enhance and expand its institutional services, as discussed in the previous section of this report. Without such coordination between community and institutional programs in both the planning and implementation phase, there can be no assurance that the services being developed will eventually meet the needs of the Department's clients and successfully accomplish the goals of preventing and reducing institutionalization.

Planning

ISSUE:

The proceeding sections clearly demonstrate the lack of effective, comprehensive planning within DHHR. This deficiency can be attributed to three main sources:

- 1) Lack of management tools.
- 2) Inability or unwillingness to utilize the tools the Legislature has already provided.
- 3) Lack of clear lines of responsibility for planning and implementation, particularly for activities which cross organizational lines.

For the past several years the Legislature has consistently enhanced and expanded the management resources of the Department by providing millions of dollars for management information systems, consultants, and new in-house personnel. For example, in the Office of Management and Finance alone, the Legislature in the past three years has provided 115 new positions in the areas of planning and evaluation, auditing, fiscal management, and operations analysis. During the same period, the Legislature has initiated or enhanced funding for at least seven major management and client information systems.

In spite of this, the Department continues to lack even the most basic program and management data such as an accurate count of the numbers of clients being served or needing services, the volume of services provided, the cost of services, expenditure trends, etc. Without such information, the Department has no sound base from which

to describe and explain existing operations, to assess the appropriateness and effectiveness of programs, to project future needs and trends, or to evaluate alternative approaches for meeting client needs.

RECOMMENDATIONS FOR FACILITY UTILIZATION, NEW FACILITIES, COMMUNITY PROGRAM DEVELOPMENT AND PLANNING

Unfortunately, the issues of facility utilization, new construction, community development, and planning deficiencies are not new. In fact, portions of the above narrative were extracted verbatim from reports prepared prior to the 1978 Legislative session. This continued inability of DHHR to effectively address these issues highlights the need for definitive action and oversight on the part of the Legislature if these issues are to be resolved. Thus, it is recommended that:

1) DHHR present to the Legislature a comprehensive analysis of its current operations and future needs in the area of facility utilization and new program development. This analysis should include at a minimum:

- a) A statement of the Department's policies and goals with regard to the provisions of institutional and community services.
- b) Needs assessment information.
- c) Descriptions of current program resources available to meet these needs.
- d) Identification of services needed, but presently unavailable.

- e) Alternative approaches for making such services available.
- f) Assessment of the future role of existing institutional resources, including objective and creative approaches for modifying these resources to meet changing client needs.
- g) Fiscal projections, including investigations of non-state funding sources.
- h) Time frames and phase-in schedules.
- j) Delineation of responsibilities for planning, implementation and administration.

2) Funding of the Department's requests for new program initiations be postponed until the above analysis is complete, that is:

- a) No new positions to implement enhanced staffing patterns in existing institutions.
- b) No new program components within existing institutions.
- c) No new institutional construction.
- d) No major institutional renovations except as required for routine upkeep and for meeting life, safety, and health codes.
- e) No funds for implementing the community alternatives plan.

3) For program enhancements, construction, etc. which are currently authorized, DHHR should submit interim plans outlining the need, purpose, clientele, program offerings and relationships to the existing service delivery system before funds are authorized for operating expenses.

In order to ensure that DHHR has the necessary resources to carry out such an analysis in a timely fashion and to improve the Department's management and planning capabilities on an ongoing basis, the Legislative Fiscal Office has developed a variety of specific recommendations which will be presented to the Legislature during the budgetary process. These recommendations include provision of management and planning personnel; enhancements of management information systems; organizational realignments; mechanisms and incentives for future program development; strengthening of the Department's diagnostic and evaluation capabilities for both client services and program management purposes; etc.

The following three topics represent specific illustrations of the aforementioned issues of facility utilization, new construction, and planning. These topics are presented separately because they are likely to pose particular policy and budgetary problems for the 1980 Legislature.

Future of the Charity Hospital System

ISSUE:

The future role of the charity hospital system, which has been identified as one of the key topics facing the 1980 Legislature, is a classic example of the previous issues on facility utilization, new construction, community development and planning. The traditional role of the charity system - that of providing in-patient medical care to the indigent population - has been changing over the past several years as a result of such factors as increased availability of alternative medical resources; implementation of Federal programs (e.g., Medicaid) which have made medical care from the private sector more accessible to the indigent; increased emphasis on out-patient treatment; advancements in medical technology, etc. The effects on the charity system have been declines in utilization, declines in average lengths of stay, increased services to non-indigent patients, and increased development of specialized (often very expensive) treatment capabilities.

Unfortunately, this transition has so far not been made in a planned and systematic fashion. Rather the needs of individual hospitals have been addressed as crises emerged. New programs have

been developed and new hospitals have been constructed without a definitive statement of the role they are to play within the state hospital system or within the medical care system of their respective geographic area. As the cost of medical care has risen due to inflation, maintenance of the hospitals' aging physical plants, and demands to meet accreditation standards, the Legislature has come to realize that future decisions about the charity hospital system need to be made within a coherent policy framework which defines the role of these hospitals individually and collectively. In order that such a framework might be developed, the Legislature provided funds to LSU Medical Center which in turn contracted with Hyatt Management Services, Inc. to study the current and future role of the charity system. Hyatt's final report has just been completed and will be available to the 1980 Legislature.

Obviously, the specific recommendations made by Hyatt are important in themselves, but even more important is the extent to which this study provides an informational base, analyses, and alternatives through which the Legislature can obtain a clear picture of the charity system and can make decisions about the future of these hospitals. Unfortunately, the Hyatt study is critically deficient in providing and arraying such information. In many areas, the study is vague; critical information is missing; data are inconsistently and confusingly arrayed; assumptions are made without adequate explanations; and conclusions and recommendations are reached without a clear statement of the problem or analyses of alternatives. The following examples will illustrate these criticisms.

- 1) The study purports to present data on present and future unmet needs. To the extent that this is done at all, it is done through narrative statements on expected population changes and the assumed relationship between such changes and the need for medical care. Specific, quantitative statements are virtually non-existent.
- 2) The study focuses on four areas of medical care - rehabilitation, perinatal services, prevention, and emergency medical services (e.g., ambulance transportation). No rationale is given for selecting these areas or for the exclusion of other, more common, areas of care.
- 3) The study devotes almost no attention to the availability of hospital beds, either in gross numbers or by specialty. No data are given on the number of beds available in an area, the ideal number that should be available to serve a given size population, or the number needed to serve the projected population in future years.
- 4) In the sections on population and economic indicators, the data on educational attainment is 10 years old; projections of educational attainment are "unavailable"; projections of health status indicators are "unavailable"; projections of infant mortality are "unclear"; effects of age changes in population are "unknown"; and changes in income levels are "unpredictable".
- 5) The current relationship between charity hospitals and private medical resources in the surrounding areas remains undefined. The study repeatedly states that it is "assumed"

that referrals between the hospitals are minimal. Critical descriptive data on existing private resources (e.g., services provided, occupancy) are unavailable for many service areas.

- 6) With regard to the relationship among charity hospitals, the study recommends that New Orleans and Shreveport function as referral centers for complex cases. It is noted, however, that such referral system is not presently operative yet no specific recommendations are given for establishing this system. With regard to referrals among the other hospitals, the study states only that each hospital should "[accept] referrals of cases that they can effectively handle".
- 7) The report paints a grim picture of the Lallie Kemp service area. The statement is made that "no area exhibited greater need for programs [for the indigent] than this hospital's service area". The physician:population ratio is the lowest in the state, and the registered nurse:population ratio is only 38% of the national ratio. According to the data presented, this is the only area which has shown a rise in infant mortality in recent years. Within this area, some services (e.g., pediatrics, out-patient, and 24-hour, physician-manned emergency room) are available from no other source than Lallie Kemp. Yet the study recommends that Lallie Kemp's role as an acute care facility be terminated and the hospital converted to other uses such as skilled nursing or "other services as may be required". The study's

recommendation for ensuring adequate service in this area is that "the patient load should be dispersed among other service area hospitals based on their ability and willingness to accept the additional demand".

- 8) The recommendations for New Orleans are vague in areas and make unsubstantiated assumptions which are critical to the success of the recommended alternative. For example:
 - a) The report states that the participating hospitals in New Orleans should assume leadership roles in various specialty areas but such roles are not defined.
 - b) With regard to the provision of out-patient services in New Orleans, the report states only that this case-load "should be shared by the participating institutions to the limit of their capabilities".
 - c) The recommended alternative relies heavily on the availability of beds from the private sector, in particular Hotel Dieu which is to provide the bulk of these beds (32%). However, Hotel Dieu's response to these recommendations, as stated in the report, is less than enthusiastic to say the least.
 - d) Since the size and service offerings of the state facilities in New Orleans will be dependent on the extent of participation by the private sector, such uncertainty creates a particular predicament for the Legislature.
- 9) Fiscal impact statements are virtually non-existent. The only specific cost estimates pertain to Earl K. Long and

New Orleans. In the latter case, the assumptions concerning capital outlay costs are so vague that it is impossible to determine how the total cost figures were derived.

10) The report repeatedly states that further analysis should be made before definitive actions are taken. For example:

- a) After making numerous recommendations for emergency medical services, the report suggests that a comprehensive planning study should be conducted, including an inventory of existing resources and an assessment of needs.
- b) The hospitals are encouraged to "assess their capabilities" for the provision of various services and investigate alternatives for improving service delivery.
- c) The study recommends that the hospitals be placed on an "enterprise fund" basis but suggests that a management feasibility study be conducted to determine how such a system would work.

Without citing further examples, it is clear that this report is seriously deficient as a guide for further decision-making and planning. Thus, the data necessary to answer the essential question of the future role of the charity system remain unavailable.

RECOMMENDATIONS

- 1) The Chancellor of the LSU Medical Center has suggested that a series of workshops be held to analyze further Hyatt's recommendations. The Legislative Fiscal Office certainly supports this

recommendation and suggests that members of the Legislature's health and welfare and fiscal committees be invited to attend.

2) It is recommended that Hyatt Management be asked to appear before the Legislature's fiscal committees to fully explain their findings and recommendations and that all affected agencies (e.g., DHHR, LSU, Tulane) be given an opportunity to present their reactions to the report at that time.

3) Until more definitive plans for the charity system are available, it is recommended that no further expansions, enhancements, or new construction be authorized. (See pages 21-23 for more detailed recommendations).

Detention and Shelter Care

ISSUE:

As of March 1, 1978 only those children alleged and/or adjudicated delinquent can be held in secure detention facilities. No status offender or abused/neglected child may be held in any secure facility, jails included. Unfortunately, in spite of the law, there are still many such children being held in secure custody settings.

In an effort to address this problem, in 1978 the Legislature directed the Department of Health and Human Resources and the Louisiana Commission on Law Enforcement to conduct a study of the need for additional detention and shelter care facilities, identify the number and location of needed bed spaces, determine methods for making such beds available, and recommend a mechanism of funding. The first year of the study focused only on detention needs; the study of shelter care needs was not even initiated until December, 1979.

Even though all necessary data has not been compiled and the study has not been completed, DHHR has requested approximately \$5 million in its operating budget for detention and shelter care services and \$6.9 million in Capital Outlay expenditures for 1980-81, using the study as justification:

- 1) Concerning the purchase of shelter care services, DHHR has requested funding for an average daily population of 276 while admitting that a total of only 96 beds are even available for such shelter care services.
- 2) Concerning the budget request for detention care, DHHR's request is simply for the State to assume the financing of

the entire operating costs of the eight existing detention facilities, presently financed locally. The DHHR-LCLE study does not make such a recommendation, but rather recommends a purchase of service arrangements between DHHR and the parishes. DHHR's proposal in the budget request provides for no controls over the costs of operation or placement.

The inefficiencies of the Department's requests for detention and shelter care are part of the massive problem with Louisiana's current juvenile justice system. Despite the fact that the problems concerning detention and shelter care have been apparent and specifically addressed by the Legislature, DHHR has not yet done the proper planning necessary to administer a comprehensive program to meet the needs of these children.

RECOMMENDATIONS

1) In light of the definite lack of planning, it is recommended that no funds be provided in 1980-81 for detention care. Such funding should be provided only after DHHR has done the proper planning necessary to administer the most effective program.

2) Concerning shelter care services, funding for the purchase of such care is already a part of the Facility Payments program discussed previously. It is recommended that the Division of Youth Services not be granted funds to establish any separate shelter care program.

Forensic Services

ISSUE:

The provision of forensic services¹ has been in a critical posture for several years. The two major facilities for providing such services - Feliciana Forensic Facility under DHHR and Louisiana State Penitentiary (Angola) under the Department of Corrections - are ill equipped to provide adequate care to the clients needing such services. In fact both institutions have been the object of litigation for their substandard physical facilities, staffing, and treatment programs. For Angola, this litigation resulted in a court order which mandated specific improvements. For Feliciana, litigation has been held in abeyance, so far.

The issue of forensic services has been studied repeatedly by Legislative Committees, outside consultants and, most recently, through the appropriation of \$180,000 in the 1979 capital outlay bill for "planning of forensic facility system". In spite of these efforts, neither DHHR nor the Department of Corrections has yet developed an acceptable plan for the provision of services to clients under their respective jurisdictions. Even more critically, these two departments have yet to establish effective working relationships from which a coordinated plan for forensic services might emerge. In fact, the

¹ Defined here to include services to clients found incompetent to stand trial or not guilty by reason of insanity; clients on civil commitment whose behavior necessitates exceptional security measures; and clients under the Department of Corrections who have serious psychiatric problems.

most recent correspondence from the Department of Corrections states that such coordination would be "premature at this time".

This statement is particularly ironic in light of the budget requests these agencies have presented to the Legislature for FY 1980-81. The Department of Corrections is requesting \$10 million (in addition to \$2 million already authorized) for a psychiatric facility in New Orleans. DHHR has requested \$49 million for new forensic facilities, including one in New Orleans. The justification for the latter DHHR facility is predicated on a consultant study conducted for the Department of Corrections and would address the same client groups as that for which the Department of Corrections is requesting funds.

The maintenance of such organizational protectiveness on the part of these departments cannot be justified. The outcome of such behavior will undoubtedly be the continued neglect of the needs of forensic clients or a proliferation of duplicative, uncoordinated, and perhaps unnecessary facilities which will tax even further the State's scarce medical and psychiatric resources. In this area of service delivery, both Departments have been obviously remiss in their responsibilities for providing the Legislature with rational information for making both policy and budgetary decisions.

RECOMMENDATIONS

- 1) It is recommended that no funds be provided either to DHHR or the Department of Corrections for the expansion or enhancement of forensic services or for construction of new facilities until these

Departments present a joint plan which outlines for all categories of forensic clients:

- a) Assessment of the need for forensic services.
- b) Analysis of existing resources at Angola and Feliciana Forensic and their short and long range viability for meeting these needs.
- c) Identification of resources needed but not currently available.
- d) Alternative approaches for acquiring such resources, with particular emphasis on avoiding duplication and maximizing the utilization of scarce professional resources.
- e) Costs and time frames for implementation.
- f) Interim arrangements for meeting the immediate needs of both Department's clients.
- g) Delineation of specific responsibilities for planning, program development, implementation and administration for both interim and long-range solutions.

Diagnostic and Evaluation Services

ISSUE:

In order for the service needs of DHHR's clients to be met effectively, these needs must first be identified and assessed in an accurate and comprehensive manner. However, recent incidents have shown that all too often the requisite diagnostic and evaluation services are not available. For example, the client placement process, established following the 1978 reorganization, relies heavily on diagnostic information in making its recommendations. Discussions with persons involved in this system and a recent evaluation of the system have both shown that difficulty in obtaining diagnostic services has been one of the major stumbling blocks in implementation. Similarly, a survey of the juvenile justice system, conducted during 1979-80, has shown that in many areas judges are being asked to make disposition and placement decisions in the absence of medical, psychological and social information. Judges, and even DHHR's own personnel, are now turning to the Department of Corrections to provide this information even though to do so requires that the child be confined at the Juvenile Reception and Diagnostic Center. (see discussion on pages 69-71).

DHHR represents the largest and most diversified system of medical, psychiatric, psychological and social services available in the State. In particular, the parish health units and mental health centers represent a wealth of potential diagnostic resources. Yet the development of diagnostic services has been sporadic, with each agency concentrating primarily on the needs of its own clients. The

result has been the establishment (or attempts to establish) duplicative and parallel diagnostic resources both within DHHR and between DHHR and other agencies, especially the educational system and the Department of Corrections. This lack of coordination in turn results in competition for scarce professional staff, reliance on outside (usually more expensive) services, and failure to take maximum advantage of Federal financial support. The FY 80-81 budget requests continue to reflect this same fragmented approach.

Another facet of diagnosis and evaluation is their value in program planning, development, and evaluation. If this data were systematically collected and analyzed, they would produce a profile of the characteristics and needs at least of those clients who had sought services from the Department. Such a profile could be used as the foundation of a more comprehensive identification of the Department's potential target populations. Similarly, if properly arrayed, this data could be used to establish a format for evaluating program effectiveness and for identifying services needed but unavailable. Such capabilities are essential for DHHR to deal with the aforementioned issues of facility utilization and new program expansions.

However, DHHR has yet to realize the potential value of diagnostic and evaluation data for program planning. There is little uniformity in the collection and recording of data, and such data as are available are not aggregated and analyzed for use by the Department's planners. For example, the Department is not currently utilizing the data generated by the client placement committees to identify services needed but unavailable in their respective regions. If the committees were simply directed to note the ideal setting or placement needed

by the client, along with their actual recommendation for placement, the Department would have a documented record of the type of placements needed and number and characteristics of clients needing this service by geographic location. Similarly, the client placement committees could be used as an evaluation tool to record the types of placements that were successful or unsuccessful for different categories of clients. Such data are now available only by time-consuming manual searches of individual client files maintained at the local level.

RECOMMENDATIONS

1) It is recommended that the diagnostic resources of DHHR be strengthened with the understanding that such resources are intended to be available for any client who needs them. Simple administrative mechanisms (e.g., establishment of appointment schedules, referral procedures, mechanisms for handling emergency needs) could be used to ensure that these services are available on a timely basis without unduly disrupting ongoing program operations.

2) It is recommended that consideration be given to the creation of a diagnostic center for use by those clients who cannot remain in their home pending diagnosis and for those clients for whom a period of observation is needed before an accurate diagnosis can be made. The need for such services has been highlighted during interim hearings of the Joint Legislative Committee on Juvenile Justice. It is likely that such a center could be established within a facility already available to the Department, such as Greenwell Springs Hospital.

3) It is recommended that a concerted effort be made to improve the accessibility of these diagnostic resources to the court systems and to the clients of the Department of Corrections, particularly juveniles. These efforts should be aimed at:

- a) Ensuring that such diagnostic information as the judge may require is available at the time of disposition.
- b) Reducing the need for confining children in the Department of Corrections solely for the purpose of obtaining diagnostic information.
- c) Identifying those children in the Department of Corrections who have serious emotional and retardation problems so that necessary services can be initiated.
- d) Eliminating the need to establish a full scale separate diagnostic system within the Department of Corrections.

The establishment of a diagnostic center, as recommended above, would enhance DHHR's ability to respond to the needs of the court system.

Office of Human Development Organizational Structure

ISSUE:

In the 1978 Reorganization, the Legislature made several organizational and functional realignments within DHHR. Among other things, these changes gave recognition to two important facts about the Department's service delivery system:

- 1) The needs and characteristics exhibited by clients rarely coincide neatly with the organizational divisions within the Department, and many clients receive (or need to receive) services from several different programs.
- 2) Similar (and in some cases identical) services were being provided by several different units within the Department, using disparate policies, procedures, payment mechanisms, etc.

It was intended through these realignments that coordination of services be improved, that duplication and overlapping of functions be minimized, that the timeliness and efficiency of service delivery be improved, and that the needs of clients be addressed in a comprehensive fashion. The most far-reaching of these realignments was the creation of the Office of Human Development, which consolidated a wide variety of community-based social and rehabilitative services.

Within the Office of Human Development, however, there still remain five distinct organizational units¹. For two groups of these

¹ OHD - Administration, Division of Evaluation and Services, Division of Youth Services, Division of Rehabilitative Services, Division of Blind Services.

units (Blind Services/Rehabilitative Services; Evaluation and Services/Youth Services) there continues to be very close similarities between the client groups served and types of services provided. As will be discussed in detail below, the maintenance of these separate reorganizational divisions has resulted in a continuation of the overlap, duplication, inefficiency and lack of coordination which Reorganization had intended to resolve.

Evaluation and Services/Youth Services:

DHHR, in its reorganization plan, provided for the merger of those programs currently administered through the Division of Evaluation and Services and the Division of Youth Services into one division. However, the 1980-81 budget requests continue to reflect separate divisions. This is especially hard to understand since DHHR has stated in correspondence to the Legislative Fiscal Office (as recent as March 17, 1980) that "Basically, clients served by the Division of Youth Services and the Division of Evaluation and Services are very similar and receive very similar treatment from the same resources". Both Divisions do provide identical types of services, including intake, counseling, evaluations, and monitoring of the treatment program of children in institutional settings. As one example, within the Facility Payments Program administered through OHD (discussed previously), in many cases both clients of Youth Services and Evaluation and Services are placed in the same facilities, receive the same treatment, and the services are funded through the same payment mechanism.

Although the close relationship which exists between these two divisions is quite evident, the Department continues to insist upon separate organizational units which not only do not provide for a better coordination of services but have even served to foster the overlap, duplication and inefficiency which Reorganization of DHHR had intended to resolve.

Merger of Blind Services and Rehabilitative Services:

DHHR's reorganization plan, as submitted to the Legislature, provided for the merger of the two programs: Blind Services and General Vocational Rehabilitative Services. The plan included the combining of administrative functions, field staff and budgets. The Blind Services program was to remain an identifiable unit within this program.

Both programs provide very similar services for the physically handicapped client, including: vocational rehabilitation, social adjustment, guidance counseling, training, evaluations of clients, maintenance and transportation, and provision of tools and equipment. The two programs also share a common state plan and the same Federal funding source. However, even in light of these similarities and DHHR's plan, the 1980-81 budget requests continue to reflect these programs separately as the Division of Blind Services and the Division of Rehabilitative Services.

RECOMMENDATIONS

- 1) That the Division of Youth Services and the Division of Evaluation and Services be merged into one budget unit.

2) That the Division of Blind Services and the Division of Rehabilitative Services be merged into one budget unit.

As discussed above, justification is basically the same for both mergers: close relationships already exist between these two groups of programs in goals and objectives, services provided, client groups, funding structures, and planning and administrative activities. Such mergers, if properly handled by DHHR, would enable closer coordination, greater cross utilization of resources and increased managerial flexibility for these interrelated programs. These mergers would provide for a more timely and efficient delivery of services, with the needs of the clients being addressed in a comprehensive fashion.

Title XX Programs

ISSUE:

Title XX is a Federal funding source administered through the Division of Evaluation and Services of the Office of Human Development. This source provides nearly \$65 million a year in Federal, State and local funds and is the mainstay of Louisiana's social services programs. The Federal regulations for Title XX are fairly general. It is the State's responsibility to develop plans which define what the service needs are, what services will be provided, what groups would be served, how services will be rendered, and what level of funding each service will receive. A second fundamental tenet of Title XX is that it is a "capped" funding source. That is, a state will only receive its proportionate share of Federal funds, no matter how much that state actually spends on Title XX eligible services.

These two concepts, that of maximum state-level flexibility and limited Federal funding, require that the State have a sound needs assessment, planning, allocation and evaluation process to ensure that these funds are being optimally utilized. These factors also require that the process of allocating Title XX dollars be reviewed in an ongoing fashion to ensure that they continue to meet the changing needs for social services programs.

Unfortunately, Louisiana's process for administering Title XX funds embodies none of these key elements of good management.

- 1) A state-wide needs assessment has not been conducted since 1977, and the methodology for that survey was questionable.

- 2) Once a service is funded, it is automatically continued year after year without any reassessment of the need for the service or any evaluation of the program's effectiveness.
- 3) DHHR's "plan" for Title XX is not a plan for future expenditures, but rather a report on expenditures from the previous years.
- 4) The Legislature has no opportunity to review the allocation of Title XX funds or even to know what programs are to be funded with Title XX.

Even more critical than any of these examples is the fact that DHHR has seen no need for making any changes in the existing administration of Title XX. Their rationale for this position revolved around two arguments:

- 1) "All the Title XX money is committed so there is no need to waste time and effort in doing needs assessments and planning for programs for which money is not available." The invalidity of this argument is obvious. First, the State has failed to utilize over \$53 million (22% of our allocation) in Title XX funds to which we were entitled in the last five years. Secondly, money is only committed to existing contracts because DHHR chooses to make such commitments. Third, because all of the Title XX money is already being spent, this is all the more reason why it is essential that expenditures be reviewed to ensure that the programs are the most appropriate ones that we could be providing. Fourth, Congress frequently considers raising the Title XX

cap and the State should be prepared with adequate needs assessment information to appropriate these additional dollars. Finally, DHHR has the responsibility of knowing what the needs of its clients are and presenting these needs to the Legislature.

- 2) "It is futile for DHHR to develop an elaborate plan and needs assessment because the Legislature will change the allocation of funds anyway". This argument is also invalid in that the Legislature not only has the authority but the responsibility to make decisions about the allocation of funds.

RECOMMENDATIONS

Obviously, there is a need to improve the availability of information about Title XX and the process for planning, allocating and developing programs under this Federal funding source. It is recommended:

- 1) That the Legislature mandate DHHR to improve its planning process.
- 2) That a needs assessment be immediately initiated.
- 3) That the Department attempt to enlist the technical assistance of DHEW officials and other states to develop a meaningful plan and information system for Title XX.
- 4) That DHHR and the Division of Administration continuously monitor the expenditure of Title XX funds during the year and make the necessary interim reallocations to prevent such under-utilization of this funding source as the State has been experiencing.

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5) That DHHR be required to present its Title XX plan to the Legislature each year and to justify its requested allocation of these funds.

Public Assistance and Food Stamp Programs

ISSUE:

The four major programs administered through the Office of Family Security have been experiencing radical deviations in their caseloads and/or expenditure patterns in 1979-80:

- 1) DHHR had projected a monthly caseload of 144,000 for 1979-80 for the Food Stamp Program. However, as of the end of December, 1979 the caseload had reached 180,000 and was still rising. This drastic increase has forced the Department to revise its budget request for 1980-81 to include 544 new employees for the administration of this program, which is a 60% increase over the current personnel complement.
- 2) The Aid to Families with Dependent Children (AFDC) Program was budgeted \$107 million for 1979-80, based on a projected caseload of 62,500 families per month. As of the end of February, 1980 the caseload had already reached 66,396. DHHR has thus revised their original 1980-81 caseload projection from 63,500 to 68,000 per month.
- 3) The General Assistance (GA) Program was appropriated funding of \$2.4 million for 1979-80 based on a projected monthly caseload of 3,000. However, the caseload reached 3,342 for February, 1980. This situation has forced the Department to again revise its budget request: the projected 1980-81 monthly caseload was increased from the original request of 3,000 to 3,500.

- 4) At the same time that the caseloads for the above mentioned programs are increasing drastically, the Medical Assistance Program (Medicaid) has been experiencing an expenditure level far below the appropriated level. This program was appropriated \$433 million for 1979-80. Based on the latest available figures (February, 1980), the estimated 1979-80 expenditure is less than \$390 million. This situation is especially difficult to understand since there is a direct relationship between AFDC and Medicaid eligibility, i.e., all AFDC recipients are eligible for Medicaid benefits. Even in light of the current expenditure level, DHHR is requesting \$511 million for this program for 1980-81 (31% increase over estimated 1979-80).

The major issue is that the Department has, as of yet, been unable to properly explain these deviations. They do offer "possible" causes, including: inflation for the increase in AFDC and GA caseloads; inflation and delayed implementation of the 1977 amendments to the Federal law for the Food Stamp caseload increase; better managerial controls for the low expenditure level in Medicaid. However, these have only been given as possible causes, with the Department's not being able to provide any definitive explanations which are based upon proper analyses. Therefore, it cannot be projected whether these patterns will continue to persist, whether the caseloads will ever decrease, or what will happen. Without such explanations it is impossible to adequately project what funding level is needed for these programs for 1980-81.

RECOMMENDATION

Before the Legislature decides upon the 1980-81 funding level for these programs, it is recommended that DHHR be required to provide those definitive explanations necessary. These explanations should include not only the reasons for the current trends but also projections as whether these trends will continue throughout 1980-81 and why.

Textbooks

Located within the Department of Education is the Division of Materials of Instruction. This Division is responsible for the dissemination of funds to the various school districts for the purchase of textbooks, library books, and school supplies. The funding is presently predicated on a cost of \$16.65 per student.

The Constitution for the State of Louisiana mandates that free textbooks and other materials of instruction be provided to the children of this State at the elementary and secondary level. With the inception of the Special School District, comprised of facilities in DHHR and Corrections, these students are now the educational responsibility of the Department of Education and in particular the local school districts. At present, these facilities are not included within the textbook funding.

Public Law 94-142 requires that the State provide equally for all children educated within the State. It is understandable that exceptional children may require additional materials and support. The federal funds received by the State for special educational purposes are designed to provide additional support and to help meet the need of certain children because of their exceptionality, and not to reduce the requirements of the State. In that the Department of Education has assumed the responsibility for the education of all exceptional children age three through twenty-one, it is necessary that the State provide services for these children at least equal to the services provided students in regular classroom settings.

RECOMMENDATIONS

It is recommended that the instructional materials utilized by students in the Departments of Corrections and Health and Human Resources be funded at the same level as those students in regular classrooms. It is further recommended that any federal funds received for the purchase of materials of instruction be used to purchase special books, supplies, and reference materials needed by the various students in these Departments.

Coordination of Reading Programs

ISSUE:

Reading programs in the State of Louisiana may be divided into two categories. The first category represents the additional emphasis placed on reading through the public schools throughout the state, and the second category represents programs conducted after school through certain non-profit organizations.

The budget request as submitted by the Department of Education through the Bureau of Reading provides programs operated by the local school districts with approximately \$2 million in revenue for reading projects above that included for general educational purposes. The amount requested for reading programs in the second category is difficult to determine for three reasons:

- 1) Reading programs are funded through the Department of Education and the Department of Health and Human Resources.

The Department of Health and Human Resources can not distinguish the funds used by the various community programs for reading.

- 2) Reading programs funded through the Department of Education are funded through two divisions, namely, the Bureau of Reading and Auxillary Services, and the cost for the reading phase of these programs can not be determined.
- 3) A comprehensive program for curriculum development and supervision of programs in category two does not exist.

Presently, the after school reading programs are divided as follows:

- 1) Five Reading, Application and Practice Programs funded through the Bureau of Reading.
- 2) Two Programs, (Treme' and YDA) funded through Youth Services, Department of Health and Human Resources.
- 3) One program (Milan) funded through Auxillary Programs.

The Reading, Application and Practice Programs (RAP) are funded at a cost of approximately \$1.3 million a year. Students in (RAP) programs are motivated to read materials of interest to the individual student. Students are tested when entering the program, and are tested again at the completion of a six week program to evaluate the progress the students have made.

The Treme' and YDA programs, funded through the Department of Health and Human Resources receive funding for Reading programs. The Department was unable to specify the amount of funds utilized in developing reading skills.

The Milan Program commits a portion of the \$292,536 requested through the Department of Education to the maintenance of an after school reading program.

For several years the State of Louisiana has funded community based after school reading programs. However, these programs remain spread throughout various State agencies, with the Department of Education failing to coordinate a well defined program and curriculum for after school learning activities.

The Competency Based Education Act passed last session requires the coordination of all educational activities administered by the Department of Education. If the after school learning concept is to continue as a major component to the educational system afforded Louisiana students, then it should be subject to the planning and supervision of the Department.

Inclusive in the planning and supervision is the development of the goals and objectives of these programs, incorporating the definitions of these programs. It is quite possible that a community based activity will not have reading as it's prime responsibility. However, that portion of the program dealing with reading problems needs to be defined in terms that compliment the goals and objectives of school programs.

RECOMMENDATION

It is recommended that the Department of Education present to the Legislature a defined program for after school educational programs. The coordination of such a program would allow the Legislature the opportunity to review the impact after school programs have on education,

while at the same time afford the Department of Education the opportunity to better coordinate the educational activities within the State.

Competency Evaluation Teams

ISSUE:

Two major legislative acts determine the focus, intention and procedures necessary for the implementation of Special Education programs in the State of Louisiana. These Acts are:

- 1) P.L. 94-142 - The federal law that requires the local school districts to provide handicapped children, age three through twenty-one, a free and appropriate education in the least restrictive environment and allowed to progress according to an individual educational plan. The Act further requires individual evaluations for each special education student.
- 2) Act 754 of the 1977 Session - Louisiana's Special Education law that parallels the provisions of 94-142, including the requirement that local school districts assume responsibility for handicapped children residing in the School District's area. The law further establishes the Special School District, comprising the facilities under the management of the Departments of Health and Human Resources and Corrections, and the special schools.

The Department of Education will not request the funding for the Competency Evaluation Teams located on University campuses for fiscal

year 1980-81. Although Act 754 requires that the 67 teams formed at the time the bill was adopted remain where located at the time of adoption, the Department contends that the continued contractual agreement with the Universities is no longer feasible.

Several reasons are given for the elimination of University based teams. Among these reasons are:

- 1) Areas with parish based teams do not have waiting lists.
- 2) The parish based teams are more familiar with the services afforded by local school districts.
- 3) Parish based teams often serve as reference points for local classroom teachers.
- 4) The discontinuance of the University based teams removes the contractual responsibility for evaluation from the Department of Education.

Federal law 94-142 places the responsibility for evaluating and educating exceptional children on local school districts. The mandate of Act 754 locating teams on University campuses and requiring the Department of Education to contract with these teams indirectly circumvents the intentions of 94-142.

It should be noted that the exclusion of University based teams from the Budget Request for the Department of Education does not prohibit the local school districts from contracting with the Universities to provide evaluating services. In fact, when the University teams at LSU in Shreveport were released, the Caddo Parish School Board employed the team members to continue the evaluative process under the control of the Caddo Parish School Board. The Division of

Special Education has informed the Legislative Fiscal Office that several parishes have employed University based team personnel to function on parish based teams.

It is important that the responsibility for evaluation and program coordination within a local school district remain the responsibility of the local district. Not only is the parish responsibility mandated by State law, but such responsibility allows the local school district to better monitor needs assessment, better plan for effective special education programs, and better insure that appropriate mainstreaming activities occur.

The Department of Education is planning a massive informational network, with terminals being planned for the local school district. The State Department of Education can perform better monitoring activities when services and programs are located within the local school board office.

RECOMMENDATION

It is recommended that the State Department of Education monitor the formation of parish based evaluation teams. The monitoring activities should insure that children are not deprived of evaluative services because the local school district does not want to contract with the Universities. All steps should be taken to maintain the number of teams presently staffed.

ISSUE:

The Department of Health and Human Resources and the Department of Corrections are requesting state general funds for the formation

of additional evaluation teams.

According to both 94-142 and Act 754, the education of exceptional children remains the responsibility of the State Department of Education and the Special School District. The Special School District was created by Act 754 to allow the students in State operated facilities the funding and practical advantages of any other school district.

It is important that the Departments of Corrections and Health and Human Resources distinguish the services rendered for educational purposes from the services geared toward the care and maintenance of the student.

Therefore, although the evaluation teams are requested through the budgets for the two departments, it must be realized that the evaluative findings and programs are the responsibility of the local school district. In furtherance of this concept, the appropriate local school district referring students to the Special School District, must when at all possible complete the original evaluation of these students and certify that the desired services are not available at the local level.

RECOMMENDATION

It is recommended that DHHR and Corrections be given increased evaluative capabilities. However, that portion of these evaluative resources that are to be utilized for educational purposes should be funded by contract with the LEA's. This would ensure that the responsibility for special education services will remain with the school systems, as provided for in P.L. 94-142. It is recommended that the local school district continue to maintain original jurisdiction over

a student until it is determined that the Special School District can best meet the student's needs.

School Lunch and Commodity Program

ISSUE:

Of the 50 states participating in the School Lunch and Commodity Program, 49 receive commodities. The remaining state, Kansas, receives a cash award for food purchases. The ability of the State to opt to receive cash in place of commodities no longer exist. Therefore, a state desiring to participate in the Food program, must receive commodities.

The State of Louisiana will expend approximately \$3.6 million in warehousing cost in fiscal year 1979-80. \$3.0 million is requested in fiscal year 1980-81 to meet the warehousing needs.

Realizing the difficulties in administering the storage of vast amounts of commodities, the Federal government funded administrative grants to the State. The total amount of the grant received by the State of Louisiana in fiscal year 1979-80 was \$39,000.

Warehousing problems in the State of Louisiana have resulted in food losses of over \$2.5 million. Part of the warehousing problem is caused by the inability of agencies receiving commodities from the State to properly estimate the food needed, resulting in food products being warehoused longer than necessary. Secondly, warehouses have

not guaranteed rapid turn around and often have not rotated stock so that the first item in is the first item out.

Warehouses are located in central areas around the State. Assigned to each warehouse is a truck driver responsible for disbursing food within a designated area. The cost of transporting the food from the warehouse to the recipient agency is approximately \$227,615 in fixed and operating expenses. The transportation aspect of the program is so rigid that an inoperable truck can halt food delivery in an area.

RECOMMENDATIONS

It is recommended that the Department investigate the possibility of contracting transportation operations associated with the program. It is further recommended that the Department initiate a procedure to penalize or charge agencies ordering commodities irresponsibly. It should be remembered that food lossage that are not proven to be the responsibility of the Federal government, become losses of the State.

Competency Based Education vs. Accountability

ISSUE:

In 1977 the Legislature passed the Educational Accountability Act. The intention of the Act was to establish a systematic and logical progression through elementary and secondary education grades,

based upon criteria developed by the Department of Education and disseminated to the local school districts. Under the accountability program, minimum goals and standards in the areas of reading, writing, and mathematics were developed for grades kindergarten through twelve. Although the goals, as developed by the Department, list certain levels a student should obtain prior to the completion of a school year, the manner in which the material is to be presented is determined by the classroom teacher.

The accountability program requires testing at the fourth, eighth, and eleventh school year. The testing serves a two-fold purpose; first, as a measure of the student's competency level, and secondly as a needs assessment tool for the local school district. The score a student receives does not determine if the student passes or fails.

In 1979 the Legislature passed the Competency Based Education Act. The Act provides that in 1982 second grade students be tested to determine a student's level of competency. Those students failing to score satisfactorily on the examination may not be allowed to progress to the third grade. The Act further provides that the Department of Education.... "coordinate the following programs in order to emphasize instructional programs and services provided for the students in the public school systems of this state":

- 1) The Public School Accountability and Assessment Act
- 2) Teacher and principal evaluation programs
- 3) In-service training programs for all teachers in the public schools
- 4) The continuing education program for teachers

5) Teacher Education programs in the colleges and universities
in this State

Clearly, it is the intent of the legislation that all assets of public education in the State be combined and coordinated to develop a plan for competency based education.

The budget request for the Department of Education does not reflect significant levels of coordination between the Accountability Program and Competency-Based Education, nor does the request detail a comprehensive plan for implementation of the program.

Not only does the Department not provide a plan for coordination, the Department treats the two programs as self-contained entities. While the Competency-Based Education program is requesting funding to develop curriculum guides for math and language, the Accountability program is requesting funding to conduct an assessment of reading, mathematics, and writing skills. Throughout the budget requests it appears that the Competency-Based Education Program is parroting the effort made in the establishment of the Accountability program.

During the time the goals and objectives were determined for reading, math, and writing under the Accountability program, advisory teams were formed and information was gathered from various components of the Educational community. The budget request for the Competency-Based Education program repeats these procedures without stipulating the inadequacies of the present curricula. Therefore, it is inferred that while the Department finds no fault in the curricula now functional under Accountability, it feels that another set of curricula should be developed for the purpose of attaining a competency-based educational system.

Not only has the Department failed to coordinate the activities mandated by Accountability and Competency-Based Education, the Department has also failed to present to the Legislature a plan for remedial education for those students not passing the examinations. Act 750 provides, "Those students who fail to meet the minimum mastery level shall be provided with compensatory and/or remedial programs effective with the 1980-81 school year which shall be staffed by certified teaching personnel....." The Act further provides that the State Department of Education shall be responsible for all costs associated with the Act. In that the Act requires the implementation of remedial and compensatory programs in the approaching school year. It is very important that the Department of Education present an implementation and funding plan.

In summary, the proposal for Competency-Based education presented in the budget request for the Department of Education does not address the full intent of the legislation, nor does it include the planning and coordinating tools necessary to merge the program with the Accountability program.

RECOMMENDATION

It is recommended that the Department of Education present to the Legislature a complete plan for the implementation of Competency-Based Education. The plan should include the relationship between Competency-Based Education and students involved in Special Education related services, and include an extensive and thorough plan for the remedial programs necessary for students failing to score satisfactorily on the examinations.

Higher Education
Operating Budget Approval Process

ISSUE:

Each year the higher education institutions receive their appropriations in lump-sum form in the General Appropriation Bill. Language is included in the bill each year which stipulates that the institutions shall later submit a detailed line-item budget for approval by their respective boards, the Division of Administration and the Legislative Budget Committee. Although the Board of Regents has responsibility for developing the formula mechanism for higher education funding and for making budget recommendations for all institutions of higher learning in the state it has no designated role to play in the review and approval process of the line-item budgets.

The Board of Regents, as the ultimate management body for higher education in the state, should be included in the approval process for the line-item budgets. The line-item budgets are the documents which specify the details of how the appropriation will be spent. They tie the dollars to the particular programs, which, themselves are subject to review and approval by the Board of Regents.

In order for the Board of Regents to effectively comply with the Constitution, which mandates that the Board "shall plan, coordinate, and have budgetary responsibility for all public higher education" (emphasis added), its inclusion in the budget approval process is necessary.

RECOMMENDATION

It is recommended that the following language be inserted in the General Appropriation Bill in lieu of the current language relative to the line-item budget approval process: "Each budget unit within the (specified) system shall submit to the President a detailed line-item budget. The President shall submit the budget for the approval of the Board of Supervisors and the Board of Regents, which shall then be forwarded through the Division of Administration to the Joint Legislative Budget Committee."

DEPARTMENT OF CORRECTIONS
Planning and Administration

ISSUE:

There has been a severe lack of planning and coordination in the Department of Corrections administration. Methods of solving the most severe problems have been attacked on a piecemeal basis. There has been no systematic attempt to fully utilize the totality of the department's resources to solve the problems it faces. The following examples are a partial listing of the inability to establish an overall planning design within the Department of Corrections administration.

1) Probation and Parole has received 50 new probation officers in 79-80 in order to reduce its caseload to a more manageable level and to improve the quality of services. However, no data has been developed to show whether these caseload reductions have in fact improved the quality of services, had any positive effect on the incidence of revocations or reduced the institutional population. In spite of this lack of information, DOC is requesting 388 more positions (including 257 Probation and Parole officers) for FY 80-81, using the same justification.

2) At the present, construction is expected to be completed on Wade Correctional Center on September 1. Another facility is currently being planned for in Washington Parish. There has been no attempt to reconcile an increased probationary system with expected prison construction, even though it is reasonable to assume that an increase in the use of probation will eventually result in a decreased need for institutional beds. If the Department finds it necessary

to build, as expected, two 500 man facilities every five years the resultant effect should be a shift downward in probationary cases. These two factors, probation and prison construction, need to be addressed concurrently if the overall needs of the department are to be met.

3) The problem of Correctional Security Officer training has been managed without systematic effort. Presently several male adult facilities have, or are requesting, their own training programs. At the same time, the training facility at L.S.P.- Angola, the largest training facility of all institutions, is under-utilized. While it is recognized that an appropriate level of in-house orientation is necessary for the Corrections officer, a large part of his training may be accomplished in any setting. However, the DOC has no immediate plans to further utilize the Angola facility to serve all of the Department or to develop a standardized training regimen for all officers.

4) Facility utilization problems have not been addressed by the Department. This has been extremely bothersome in the area of the Department's minimum security prisons and the women's prison. At current rates the Work Training Facility in New Orleans (Jackson Barracks) is being utilized at below 40% capacity, while Camp Beauregard is being operated at only 60% capacity. Information supplied by DOC indicates that all inmates who meet the criteria for placement in these facilities have in fact been placed; and there is little likelihood that these facilities can be fully utilized in the near future. DOC has no specific plans to alter the programs of these facilities to ensure their optimal utilization. At the same time as

these facilities are being under-utilized, overcrowding still exists in some areas, particularly LCIW, and new beds are being opened and planned for.

5) The problems faced by the department are readily evident at Elayn Hunt Correctional Center. The facility has a capacity of 1,000, yet utilization is in the area of 600-700. The primary reason for this is lack of corrections security officers. There is a severe shortage of security due to the close proximity of Hunt in Baton Rouge with its Petro-Chemical industries, and the relatively smaller salaries paid to Corrections officers.

The problems with planning in administration may be due to lack of personnel. However, in FY 1979-80 23 new planning positions were given to the Department of Corrections administration. Most of these are currently vacant because this administration finds itself short of office space.

RECOMMENDATIONS

1) Probation and Parole - A comprehensive plan for expansion of these two functions needs to be developed. If probation services are to be increased, there should be a resultant curtailment of prison construction.

2) Corrections Security Officer Training - Administration must develop system-wide standards for training. Furthermore, it is recommended that cooperation be extended throughout all institutions for necessary instruction. As L.S.P. has the largest facility and training staff, a centralized training program should be established there to cater to the initial indoctrination of all security officers.

The latter portion of their training should take place in the institution in which the officer is to serve.

3) Over-under Utilization - The department needs to pay particular attention to the problems at WTF and Camp Beauregard and develop alternatives by which these facilities can be utilized, if not by DOC then by some other agencies. Until such alternatives are found, WTF and Beuregard should be funded at no more than their current population level.

4) Elayn Hunt - A study is currently underway to determine if increased entry pay for Security officers effects demand for the job. There is a possibility that a new entry level with commensurate compensation will be established through Civil Service.

5) Administration - Planning and vacancy problems at Administration may be alleviated when new office space is secured. However, the Department of Corrections administration must begin a systematic overview of expansion and a re-evaluation of management tools present in order to avoid serious breakdowns in the future.

Diagnostic and Evaluation Services for Juveniles

ISSUE:

Within the Department of Corrections, Juvenile Corrections operates five facilities for the incarceration and rehabilitation of juveniles, including the Juvenile Reception and Diagnostic Center at (JRDC) Baton Rouge. These institutions service over eight hundred

minors. Over 48% of these juveniles have been identified as mentally deficient (an I.Q. of 70 or less). In order to properly care for and place the child in an appropriate facility careful diagnosis and evaluation must take place. However, recent studies of the juvenile justice system, as well as testimony during interim Legislative hearings, leads to the conclusion that appropriate diagnostic and evaluative services are not available.

There is no centralized nor standardized evaluation system. A juvenile entering the juvenile justice system may be diagnosed by any of three separate agencies; Department of Health and Human Resources (DHHR), the Department of Corrections (DOC) or local court resources. In many cases outside consultants and university employees rather than DOC's or DHHR's are used in evaluation. Two studies of the Juvenile Justice System have shown that judges are often asked to dispose of the case without adequate medical or psychological information. Without this data judges are requiring that the child be placed in JRDC in order for proper evaluation to take place. Such utilization of JRDC has resulted in overcrowding and has hindered the effective delivery of diagnostic and evaluative services.

Even when evaluative data is collected, there is no continued flow of information between any of the components of the system to insure adequate disposition of the case at hand. The information which accompanies a child to court ordered placement varies from jurisdiction to jurisdiction. Many important informational sources concerning the child's family, social and educational studies or evaluations, and psychological/psychiatric assessments may not be included. Decisions concerning placement and treatment of the

juvenile are made without complete information from Youth Services, outside personnel or the Department of Corrections. Post-release work is done without coordinated information if any is given at all. Due to this, children having special needs are not being placed in least-restrictive or appropriate facilities to meet their needs. Also, during incarceration new evaluations and psychological workups are rarely done, or are almost impossible to do because of lack of information and inadequate psychological/psychiatric support services at the Louisiana Training Institutes.

RECOMMENDATIONS

1) The Department of Health and Human Resources has a wealth of facilities available for evaluation and diagnosis. A workable system to provide necessary information before the juvenile is placed under the care of the Department of Corrections needs to be developed. There should be a coordinated effort with Youth Services and the rest of DHHR to develop an information system to insure that only those juveniles who must be committed to Corrections are placed there.

2) Once the child is placed in the care of the Department of Corrections, adequate supplemental diagnostic and evaluative services for juveniles need to be developed. Such services should build upon and utilize previous information gathered on the child. Thus, a complete information system from the child's initial contact with the juvenile justice system through post-release will be available. Physical improvement needs, including cost estimation, required to improve functions of JRDC need to be determined. JRDC should also be given a post-release capacity.

ISSUE:

The education for the Handicapped Act (P.L. 94-142) requires that all handicapped children shall have available to them a free and appropriate education. Implementation of this law requires coordinated effort between the Department of Education and the Department of Corrections. However, there has been little developed in the way of a programmatic solution to enactment of the mandates of the law.

The Department of Education, while having developed a scheme for teacher competency in the area of handicapped children, has not adequately addressed the problem of actually funding and supplying the necessary qualified teachers for the learning handicapped in institutions of the Department of Corrections. The policy of the Education Department at the present time is to assess the competency of teachers in the institutions of the Department of Corrections and supplement the Department of Corrections, by interagency transfer, with funds necessary to acquire teachers and supplies in order to service the LTI student. This piecemeal approach to supplying competent teachers essentially means that all funds supplied by the Department of Education will be an "add on" to the existing institution's program. Furthermore, double funding also occurs when a child is included in the enrollment count in his home school district as well as in the enrollment for the Department of Corrections.

The Department of Corrections this year is currently asking for \$892,599 in interagency transfers in order to meet the requirements

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of P.L. 94-142. However, there is no evidence that the needs of the LTI student are being met in compliance with the law. A complete program of staffing and funding is necessary to assure that the LTI students receive suitable educational services.

RECOMMENDATION

The Department of Education needs to review educational services within the Department of Corrections and develop a comprehensive planning, staffing and evaluation schedule to insure that each child receives an appropriate education.

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

Secretary's Emergency Fund

ISSUE:

Act 305 of 1970 provides that "...an allotment not to exceed four percent of the revenues from state sources..." may be made for unspecified emergency purposes. The Department of Transportation and Development is requesting \$6,526,418 for FY 1980-81. The problems are as follows:

- 1) These are capital outlay funds spent solely at the discretion of the Secretary of the Department of Transportation and Development and the Governor. There is no Legislative review process.
- 2) Once funds are appropriated for this purpose, all unexpended funds are carried over to the next fiscal year thereby creating a "slush" fund of sorts for the Department.
- 3) Act 334 of 1974 states that "Semi-annually the Director shall submit to the Joint Legislative Committee on Transportation, Highways, and Public Works a recapitulation of all emergency projects for the preceeding six month period, outlining the nature and cost of the emergency."

As of this date, the last report submitted by the Department of Transportation and Development was for the period ending December 31, 1978.

RECOMMENDATIONS

In order to assure the Legislative review process and at the same time, be prepared for true emergency situations, the following

is recommended:

1) One million dollars should be budgeted in the Other Charges category to take care of true emergency situations that require immediate attention.

2) Two million dollars should be budgeted in the unallotted category. As funds are needed, the Department of Transportation and Development could submit a BA-7 with supporting documentation to the Joint Legislative Committee on the Budget requesting the transfer of funds into "other charges". None of these funds could be expended without this approval, thereby subjecting them to the Legislative review process.

Unconstitutionality of funding Capital Outlay Projects via the General Appropriations Bill

ISSUE:

Article III, Section 16.C of the 1974 Constitution states that the General Appropriations Bill "...shall be itemized and shall contain only appropriations for the ordinary operating expenses of government..." However, contrary to this provision and various Attorney General Opinions (see Opinion numbers 76-1307 and 79-309), the budget for the Public Works, Watersheds and Aviation Divisions, which formulates the mechanism by which the State funds capital construction and major repairs and improvements in these areas, continues to be included in the General Appropriation Bill.

RECOMMENDATION

Capital outlay funding for the above listed Divisions should be included in the Capital Outlay Bill. The construction plan should also be governed by terms and conditions similar to those stated in Act 334 of 1974 such as:

- 1) Submitting to the Legislature the anticipated construction program with a priority listing of projects.
- 2) Providing to the Legislature annually an additional list of projects proposed to be commenced within the ensuing four years which are in various stages of planning and preparation.
- 3) Prior to the convening of each regular session of the Legislature, the department should furnish the priority list to the Joint Legislative Committee on Transportation, Highways, and Public Works, which should hold public hearings in each district for the purpose of reviewing priorities for the coming fiscal year.

State Urban Transit Subsidy Program

ISSUE:

Fiscal year 1980-81 will be the third year of the State Transit Subsidy Program which provides 25% of the eligible operating deficit (\$32 million projected for FY 1980-81) incurred by the thirteen transit operators in the seven metropolitan areas in Louisiana. Up to 50% of the eligible deficit is federally funded, therefore leaving

only 25% to be funded by local contributions. Under this funding formula, there is virtually no incentive for the implementation of cost saving programs within the various transit systems.

RECOMMENDATION

The state subsidy program should be modified so that the amount of state subsidy allocated to each system would be directly related to the effort each system made in correcting its deficiencies and improving its performance.

DEPARTMENT OF PUBLIC SAFETY

ABC Plate System

ISSUE:

The Office of Motor Vehicles, Department of Public Safety, is requesting \$1.8 million for implementation of a new alpha-numeric plate system for automobiles over the next two years. The program as requested does not include new plates for trucks, trailers or boats.

As the major justification for this new system, Motor Vehicles contends that vehicle plates issued under the present system in 1974-75 are now reaching the end of their six-year life expectancy. The reflective sheeting on the plates is said to be deteriorating badly, necessitating plate replacement. The conversion to the ABC plate system is requested to take place in conjunction with the plate replacement program.

To date, the Office of Motor Vehicles has failed to establish that the condition of the reflective material on the 1974-75 plates is, in fact, deteriorating. The company which markets the reflective sheeting and the Office of Agri-Business, Department of Corrections, which manufactures the plates have agreed with Motor Vehicles that the plates must be replaced now, but have provided no data verifying this claim. No sample survey of vehicle plates now in use has been conducted to determine if plate replacement is necessary at this time. In testimony before the Legislative Budget Committee on February 20, 1980, officials of the Office of State Police reported that no complaints concerning plate visibility had been received from troopers. A spot check by State Police troop commanders, reported to the ABC Plate

Implementation Committee on March 5, 1980, indicated that the level of plate deterioration was minimal.

Also cited as justification for the new plate system is its advantage to law enforcement officers in being more easily readable. Mr. Leroy Havard, Assistant Secretary, Office of Motor Vehicles, has referred to studies which verify that the new ABC plates would indeed be more easily read than the present plates. Mr. Havard has not provided either copies of these studies or the citation for the reports to the ABC Plate Implementation Committee.

Another consideration cited in support of the conversion is that the new plate system will provide 25 million identification variations. However, the variations available through the current Louisiana plate system are expected by Motor Vehicles to be adequate for the State's needs for the next several years. Programming adjustments have already been made to expand the present system to include letters in addition to the State Police troop designation to provide additional variations.

RECOMMENDATIONS

1) The Legislative Fiscal Office recommends that no funding be provided in 1980-81 for either large-scale plate replacement or implementation of the proposed alpha-numeric plate system. The Office of Motor Vehicles has not provided sufficient justification for either of these aspects of the requested program.

2) The Department of Public Safety should conduct a study to assess both the condition and remaining use life of reflective material on the 1974-75 plates now on the road. This a study must

precede the development of an implementation plan and the assessment of the feasibility of instituting a new plate system in Louisiana. The necessary expertise for such a study should be available in-house or through cooperation with other state agencies, such as DOTD and Department of Corrections, Agri-Business.

Data Processing - Computer Upgrade

ISSUE:

During the 1979-80 interim, the Department of Public Safety submitted to the Data Processing Coordinating and Advisory Council a request for a major upgrade of the Department of Public Safety computer system, which had not been included in the 1979-80 budget request. The request to the DPCAC consisted of a temporary five-month upgrade of the present 1142 to an 1143 to be followed by an upgrade to an 1182. The Legislative Fiscal Office objected to the initiation of such a major upgrade during the interim, with little opportunity for legislative review. This Office also objected, along with a majority of the Procurement Support Team, to the issuance of a single Invitation-to-Bid for both upgrades. During review of the specifications for this bid invitation, the lack of long-range planning and evaluative capabilities within the department and the extent of the department's dependence on the present data processing vendor became evident. The Invitation-to-Bid, after approval by the Data Processing Coordinating and Advisory Council, was issued and a proposal was submitted for

review. However, upon further consideration, the Data Processing Coordinating and Advisory Council approved only the 1143 upgrade.

Both the 1143 and 1182 upgrades are included in the 1980-81 budget request of the Office of Management and Finance.

RECOMMENDATION

In order to meet the immediate capacity needs of the Department of Public Safety data processing system, funding of the 1143 upgrade is recommended. The Legislative Fiscal Office also recommends that no further upgrade of the system be approved until progress is demonstrated by the department in the development of a long-range plan to meet future data processing requirements. Although the cost to the state of the 1143 will be greater in the immediate future than the projected cost of the 1182, further development of the system without such planning could have an even greater long-range impact in terms of cost and inconvenience to the public.

Data Processing - Long Range Planning Capability

ISSUE:

Recent requests by the Department of Public Safety for additional data processing equipment and for an upgrade of the Department of Public Safety computer have raised questions concerning the current operation and administration of the system and the performance of the department in planning to meet its future data processing needs.

capability, and utilization of available assistance from the staff of the Data Processing Coordinating and Advisory Council, the department can substantially reduce its dependence on the vendor.

2) Additional staff positions and probably upgrading of certain positions will be necessary to implement this recommendation. The Data Processing Coordinating and Advisory Council staff should be able to provide assistance in developing specific recommendations concerning these staffing requirements.

Deputy Sheriffs' Supplemental Pay

ISSUE:

The purpose of providing state supplemental pay to commissioned deputy sheriffs, as stated in the enabling legislation for this program, is to promote the public peace and safety in the parishes of the state and particularly the enforcement of state laws by parish deputy sheriffs. During the 1978-79 interim, the Joint Subcommittee on State Supplemental Pay expressed concern over the types of personnel receiving deputy sheriffs' supplemental pay and the administration of that program. In response to that concern, the Legislative Fiscal Office conducted a survey of parish sheriffs' offices in an effort to obtain data on the personnel receiving supplemental pay under this program.

The results of that survey indicated that there was little control exercised over the kinds of employees receiving deputy sheriffs' supplemental pay. In 1978-79 a total of 3,888 employees

For several years, additions have continually been made to the Department of Public Safety data processing system in an effort to meet crisis capacity situations. No in-depth evaluation of the current system or future data processing requirements has been conducted by the department. The Department of Public Safety is unable at this time to adequately assess the effectiveness of the current system and is even more poorly equipped to project future capacity demands or to develop a long-range plan to meet those demands.

Since data processing equipment was first installed at the Department of Public Safety, the department has been largely dependent on the vendor for guidance in the development of the system. The department has not developed the in-house staff and expertise necessary to effectively manage and direct the growth of its data processing system. Contributing to the vendor dependence exhibited by the department is an organizational structure, as related to data processing, which is not conducive to effective management. Due to the limited capacity planning capability of the department, the effect on the system of increased demands associated with either existing or new programs is often inadequately evaluated. The resulting problems in response time, scheduling, prioritization, etc., lead to new crisis management situations and the necessity of additional assistance from the vendor.

RECOMMENDATIONS

- 1) In order to meet its future responsibilities to the public, the Department of Public Safety must develop the in-house capability to meet the management, evaluation and planning needs of the department in the area of data processing. Through development of this

of parish sheriffs' offices received supplemental pay, of which 1,081 (22.8%) were office, clerical and support personnel. Of the supplemental pay recipients, 205 (5.2%) were employed under the CETA program. Current monthly payments under this program are based on length of service as follows:

- \$128 - zero to one year
- \$166 - one to three years
- \$193 - three to six years
- \$220 - over six years

Approximately 15% of the recipients are in their first year of service.

Legislation which would have established eligibility criteria for deputy sheriffs' supplemental pay similar to those applying to the municipal police supplemental pay program was introduced in the 1979 session, but died in committee. Under the municipal police supplemental pay program, only personnel actually engaged in law enforcement duties, involved in direct support of line officers or employed in certain other specified positions are qualified to receive supplemental pay. There are no such eligibility criteria for receiving deputy sheriff's supplemental pay. Many of the office, clerical and support personnel currently receiving deputy sheriffs' supplemental pay would not have been eligible under these restrictions. Also, under the municipal police supplemental pay program, no extra compensation is provided in the first year of service as is provided under the deputy sheriffs' supplemental pay program.

Although the appropriation for deputy sheriffs' supplemental pay is made under the Department of Public Safety, that department, which administers supplemental pay to municipal police and marshalls,

firemen, constables and justices-of-the-peace, does not administer this program. Payments are made by the Office of the State Treasurer based on monthly reports submitted by each parish sheriff, which list the name and amount due each recipient. A check is issued by the State Treasurer to the sheriffs' salary fund of each parish with actual payments to each recipient administered by the parish sheriff.

From 1975-76 through 1978-79, actual expenditures by the state for deputy sheriffs' supplemental pay increased by 14.4%, compared to a 2.0% increase in municipal police supplemental pay. Failure to apply standards for eligibility and lack of administrative control in the deputy sheriffs' supplemental pay program have contributed to the rapid increase in the cost to the state of this program.

RECOMMENDATIONS

In order to insure compliance with the stated purpose of legislation providing supplemental pay to deputy sheriffs, eligibility criteria, such as those used by the municipal police supplemental pay program, should be imposed. Supplemental pay should be provided only to those employees of parish sheriffs' offices who are engaged in actual performance of law enforcement duties or in direct support of live officers.

If such eligibility criteria are in effect in 1980-81, the Legislative Fiscal Office estimates that the projected cost of \$9,251,685 for the portion of the deputy sheriffs' supplemental pay program provided under R.S. 33:2218.8 would be reduced by at least 6.3% to as much as 17.9% if no "grandfather" clause is included. Should legislation be enacted to effect this application of eligibility

criteria, not only would the state realize a reduction in the rapidly growing cost of this supplemental pay program, but also greater equity would be established in the provision of state supplemental pay to local law enforcement personnel.

On-line Issuance Program

ISSUE:

Funding was provided in 1979-80 to the Office of Motor Vehicles for a pilot program for on-line issuance of driver's licenses. This included rental and maintenance costs for 22 units (17 control units, 22 slave terminals, 17 printers) to be installed in 17 of the state's larger cities. These units have not yet been installed in the selected cities.

The Department of Public Safety has indicated that, through an error by the department, the number of units requested was insufficient, placing the successful implementation of the pilot program in doubt. The Office of Motor Vehicles budget request for 1980-81 does not include any additional units for the pilot program; however, the Office of Management and Finance is requesting 246 units which are to be placed in driver's license offices throughout the state for on-line issuance of driver's licenses.

The pilot program for on-line issuance of driver's licenses has not yet been implemented. Therefore, it is impossible for the Department of Public Safety to have already conducted an evaluation of the

success of the pilot program and initiated any programming and/or management adjustments necessary prior to statewide implementation of the program.

RECOMMENDATION

No funding should be provided for statewide implementation of a program for on-line issuance of driver's licenses until the pilot program is completely implemented and evaluated. Funding is recommended for continuation of the 22 units approved in 1979-80 for the pilot program and for 30 additional units. This number of units would be sufficient for full implementation of the pilot program in four cities, which should provide an adequate basis for evaluation of the program.

Traffic Accident Reduction Program

ISSUE:

In August, 1979 a study was undertaken by State Police to determine the manpower needed to reduce traffic accident levels by 10% from 1978 figures. Through the application of regression analysis, statistical models were formulated which related accident total as the dependent variable to the independent variables, manpower level and rural mileage in each troop area. Based on the results of this analysis, the Office of State Police is requesting 84 new trooper positions to implement this program.

The Office of State Police has made a commendable effort in attempting to develop a quantitative justification for this new program request. A statistical model including manpower would be a valuable management tool for State Police and other law enforcement agencies. This tool would allow more accurate cost-benefit assessments of new and existing programs and would provide a means for more effective distribution of enforcement personnel.

Unfortunately, the analysis on which this program request is based has serious flaws which cast doubt on the validity of the variable relationships presented and the required manpower levels estimated. The most basic problem with the analysis is that several models were developed from a very small data base. The technical problems with the statistical analysis conducted have been brought to the attention of the Office of State Police in two meetings attended by staff members of the Legislative Fiscal Office, Division of Administration Budget Office and Office of State Police. At this time, an attempt is being made by State Police to correct these problems, but results are not yet available.

RECOMMENDATIONS

1) Because serious problems still exist in the statistical analysis which forms the basis of this traffic accident reduction program, this manpower study cannot be considered as adequate justification for the program request. Therefore, the Legislative Fiscal Office recommends that the requested traffic accident reduction program not be funded in 1980-81.

2) However, because such a study, if properly conducted, could provide an effective means of assessing manpower requirements, the Fiscal Office recommends that funding in the amount of \$10,000 be provided in 1980-81 for professional statistical consultants to assist in developing an appropriate manpower model to meet the management needs of the Office of State Police.

Ancillary Enterprises

ISSUE:

Each year the Legislature considers and passes a bill which is known as the "Ancillary Enterprise Appropriation Bill." In terms of expenditure amounts authorized by this bill, the overall dollar volume has grown appreciably from \$53.8 million in fiscal 1976 to \$150 million in 1978 to \$180 million in the current year. Within this ancillary bill are funded numerous operational components of State government; e.g., Patient Recreation Funds at various State schools and the inmate canteen fund. Also included in the 1979 bill were such items as \$74,500 for the operation of a State Employee Van Pool, \$150,000 for the operation of a day care center and \$3.1 million to finance the loan program of the Market Commission. In addition, such major state operations as the Property and Casualty Insurance program (\$36.6 million), Centrex (\$17 million), the Administrative Services programs (\$1.7 million) and \$2.8 million that is provided to the Division of Administration to purchase automobiles and equipment for lease to other agencies, to refurbish office equipment and other purposes are included.

For those major programs described above, agencies request monies in their operating budgets and forward the funds to these ancillary programs. For example, Centrex premiums are budgeted by each agency. Bills are sent from the Office of Telecommunications to the agency, the agency forwards funds to the Office which in turn pays bills received from South Centrel Bell.

Prior to the 1979 Session, these major programs received a lump sum appropriation that allowed them tremendous latitude in the expenditure of those funds. There were no restrictions on such things as the number of personnel hired or the use of consultants. In many cases, budgets were not even submitted to the Legislature. In recognition of this and partially in response to the problems encountered with the State Group Insurance program, the 1979 Legislature moved to place controls on the expenditure levels. The Insurance programs, Centrex and Administrative Services programs were given specified expenditures and personnel levels in the same manner as agencies in the General Appropriation Bill.

For a variety of reasons the Legislature has had minimal input and oversight over the expenditures of these programs. These include the failure of the Division of Administration in many cases to submit budgets and the fact that the ancillary bill is considered after months of hearings and deliberations on the General Appropriation Bill. Without this oversight, significant problems have developed and major operational changes have been undertaken. This fact was evident during the 1979 hearings on the Group Insurance Program and discoveries by the Fiscal Office of the large gaps between premiums paid for workmen's compensation coverage and actual losses. A major new telephone system was implemented without Legislative involvement. Language contained within this bill is also of concern. For example, the Property and Casualty Insurance Program has been allowed to maintain surplus funds obtained by over-charging state agencies to build an account of over \$10 million.

RECOMMENDATIONS

1) The major programs continue to receive line item appropriations and designated personnel levels based on budgets submitted to the Legislature.

2) The Centrex, Property and Casualty Insurance, Group Insurance and Administrative Services programs, as a minimum, be included in the General Appropriations Bill. They would be funded through the Inter-agency Transfer mechanism.

Capital Outlay: State Office Space

ISSUE:

The State of Louisiana currently leases about 850,000 square feet of office space in the city of Baton Rouge at a cost of over \$5.3 million annually. The total cost for office space averages out to \$6.30 per square foot which is up over 26% from the \$4.98 per square foot reported in October of 1976. Additionally, the amount of office space being leased has almost doubled since that October, 1976 report.

Given the recent trends in rental rates for Baton Rouge, especially in the downtown area, it is evident that the State should give serious consideration to investing in some type of State-owned office facilities. Office space in a nearby downtown office building formerly leased at about \$7.50 per square foot is now leasing for over \$12.00 per square foot, a 60% increase. Rapidly increasing rental rates combined with more and more agencies being squeezed out of existing State-owned facilities and into leased space suggests that the State is in for considerably higher rental cost on an on-going basis.

Using a portion of the 1979-80 surplus funds to construct a multi-tower office facility on capitol area land currently owned by the State could yield sizeable returns in the form of reduced rental expenditures over the life of the structure. Additional advantages would be the proximity of such office locations to the capitol and to each other and the enhancement of van and car-pooling efforts.

RECOMMENDATION

It is recommended that the Office of Facility Planning and Control, Division of Administration, prepare a proposal regarding the planning, development and construction of such an office facility for the Legislature's consideration in the 1980 session.

Computer Selection

ISSUE:

The following information is given to provide an understanding of the system utilized in the state for obtaining computer hardware and software and to define the responsibilities of various agencies and groups involved in the process.

The Data Processing Coordinating and Advisory Council was created by Act 599 of the 1977 Session. It is located within the Office of the Governor and is composed of nine members from the policy making level of the major state agencies and universities. Their main responsibilities are: to approve the selection, purchase and installation of data processing equipment or services; to coordinate the use and management of all data processing systems of state agencies; to develop long range plans; and to maintain and develop data.

The 1979 Appropriations Bill provides \$390,000 for the Data Processing Council staff (11), expenses and professional services. The staff develops data, reviews agency requests and requirements, and makes recommendations to the Council.

The Division of Administration has the responsibility to insure that all contracts for data processing hardware and software are executed in accordance with the state's purchasing law.

A Procurement Support Team was created by Act 499 of the 1979 Legislature. The team consists of a representative of the Division of Administration's purchasing office, the Data Processing Council, the Attorney General's Office, the Legislative Fiscal Office and one or more using agencies. All contracts must be negotiated with the

assistance of this Team. The Team is required to provide assistance in final drafting of specifications, drafting of invitations for bids, evaluation of bids and negotiation of contract terms. Act 499 requires that the purchase, lease and rental of data processing equipment, related services and software be by competitive sealed bid.

The following state agencies operate their own computer centers: Revenue, Education, DOTD, Public Safety, DHHR and Labor.

The Louisiana Information Processing Authority is within the Division of Administration and provides computer assistance for most of those agencies not operating their own centers. This agency administers the Baton Rouge Computer Center and operates the Uniform Payroll and FACS systems.

Described below are some of the problems that exist in the current system:

- 1) The Council has found it difficult to disapprove requests for computer hardware. The feeling of individual members seems to be that to get approval of their own requests they need to approve requests of other agencies.
- 2) To date the Council members have received little support or encouragement from the Office of the Governor to take a critical look at requests and to say no when the justification is not adequate.
- 3) The Council does not consider its responsibility to develop long range plans and to coordinate state activity. Consequently, no such planning exists.

- 4) The Council does not consider its responsibility to verify that the Legislature considered, approved and appropriated funds for a specific project or equipment. Consequently, hardware is purchased and systems developed without legislative approval.
- 5) The staff of the Council has become bogged down in the paperwork associated with the new purchasing laws. Their analyses of agency requests is limited to technical details and not to reviewing needs and current operation. Individual agencies are either unable or unwilling to review their needs and current operations.
- 6) Computer vendors and consultants are dictating to the agencies what equipment they buy, running computer centers due to the inadequacies of state employees and drafting bid specifications.
- 7) The Procurement Support Team and agency personnel have had to spend too many hours on minor purchases to meet the requirements of Act 499.
- 8) Act 499 allows an agency to keep installed equipment after June 30, 1980 only if the vendor agrees not to raise prices. Otherwise, they must be competitively bid. State agencies have moved slowly on this and consequently there is a real possibility that there will be a serious disruption of services on June 30, 1980.

RECOMMENDATIONS

- 1) The Council itself should be maintained but their duties and responsibilities significantly changed. The membership should continue to be appointed by the Governor from policy-making levels in the various departments and universities. The Council should be an advisory body that reports only to the Commissioner and/or Governor.

They would serve to make known the problems of data processing from an agency perspective.

2) The Commissioner of Administration should be given those responsibilities currently held by the Council. These include final approval authority for the purchase and installation of data processing equipment and services, data development and maintenance, and long range planning and coordination.

3) The staff of the Council should be maintained but transferred to the Division of Administration. They should be responsible for developing the data and providing the analyses for policy makers.

4) The Procurement Support Team should be maintained and required to submit their recommendations to the approval authority. Recommendations of the Team should be received and reviewed prior to approvals.

5) The Louisiana Information Processing Authority should continue to provide those services required by State agencies that can be effectively centralized.

6) The involvement of the Procurement Support Team should be limited to those transactions involving major expenditures or at any other time when requested by the Commissioner.

7) For those items below a certain dollar level and for which no direct services contract has been entered into, an agency should be able to purchase without the need for competitive bids.

8) A systems audit team should be created and funded within the computer staff to provide functional and management audits of Data Processing Systems in the agencies.

9) The Commissioner should be required to obtain documentation that funds were requested and appropriated by the Legislature prior

to approval of purchases, contracts, etc.

10) The Council Staff and Attorney General's Office should continue their work towards developing standardized contracts and bid specifications.

In summary, we are recommending a return of control over the selection, purchase and planning of computers and computer needs to the Commissioner of Administration. However, major differences would remain from the system that existed prior to the establishment of the Data Processing Council. These are the requirements for the Procurement Support Team to provide assistance in drafting specifications, reviewing bids and negotiating contracts and for the Council to serve in an advisory capacity. In addition, the state now has a competitive bid requirement for obtaining computer hardware and software rather than a system of buying computers that resembled shopping from a Sears catalogue.

Computerization of Ad Valorem Tax Records

ISSUE:

The tax assessors of Louisiana are mandated by State law to re-appraise and value all property subject to taxation at intervals of not more than four years. The Louisiana Tax Commission is charged with the responsibility to review all assessments for their correctness. The volume of work required in this endeavor is extremely large and costly. The legislature is continually being requested to increase the statutorily allowed expense allowance of the parish assessors. The Tax Commission finds itself in a situation whereby every four years a tremendous effort is required to properly review the assessments established at the local level.

This entire operation could be expedited with the use of an automated data system for tax assessment, review and informational needs. With such a system assessment records could be stored, updated and retrieved easier, equity of assessments could be more assured and detailed, and accurate estimates could be provided on questions of ad valorem tax changes on both a local and statewide basis.

RECOMMENDATIONS

The Louisiana Tax Commission should be funded so that it can study the feasibility of computerizing the State's assessment records. Before embarking on the development of a system from the ground up a review should be made of the requirements of the users of the system, precise capabilities desired and the possible use or adaption of tax assessment data systems used in other states or areas.

"Enhanced Mineral Income Trust Fund" Legislation
(Act 791 of 1979)

ISSUE:

The Legislature enacted legislation in the 1979 Regular Session which attempts to escrow a portion of what is to be considered "windfall" revenue gains. These "windfall" gains are the result of the change in national energy and economic policy which decontrols the price of domestically produced oil. However, technical problems exist with the new law to the extent that clarification and clearer specification of the law is necessary.

In one regard it is perhaps fortunate that the corrective language is necessary for it provides the Legislature with an opportunity to deliberate the entire issue more fully at a time when the funding decisions for the State are of most significance. It will serve us well in the discussion of this issue to briefly review the circumstances the State faces with regard to the financing of public services in the 1980's.

I. Increasing Cost of State Government

The State of Louisiana provides a myriad of services to the people of the State and the cost of providing those services, even if it is the same amount of services from year to year, will go up annually. This is especially true in times of higher inflation such as the present. Not only does the cost of gasoline, medical supplies, capital construction, borrowing money and other items go up at rapid rates but the cost of personal services, the item which comprises

about 57% of all State funded expenditures, will require adjustment in order to keep the public employees' incomes at least "even" with the rate of inflation.

If the State of Louisiana desires to provide precisely the same number of services to its citizens in FY 1980-81 as it did in FY 1979-80, then the cost of providing those services will go up at a rate which approximates the underlying rate of inflation in the economy - currently that rate is most likely around 10% or so. This also assumes no increased demand for service as a result of population growth. The overall rate of growth in the cost of services can be reduced somewhat on a temporary basis but the cost of reducing it must necessarily come at the expense of lower pay adjustments for employees, for personal services is the only resource over which the price, or salary level, is in part controlled by the Legislature. Instead of providing a 10% adjustment which might be necessary to keep them "even" with inflation (plus a merit adjustment, hopefully, to reward better productivity), only a 7% adjustment may be possible which, however, will likely pacify them only temporarily.

This situation implies that the State revenues to finance these growing expenditures must, at a minimum, approach that same underlying rate of inflation. If expanded services are desired then governmental costs, and in turn revenues, must go up at a rate even greater than inflation. Since it is the rate of revenue growth which is critical, it is important to understand the components of the revenue structure of the State of Louisiana.

II. Increasing Revenues from Decontrol

A discussion of the revenue structure of the State must emphasize the severance tax and royalty income the State enjoys as a result of its natural resources. Because of the vast financial resources they have provided the State over the years, the revenue structure has developed in a very unique way. Louisiana does not rely as heavily on the personal type taxes of income, sales and excise to the extent that other states do. This is good in many respects but harmful in one particular way.

Because the State's income is not based primarily on these traditional sources, which generally have rather high growth rates, the State's overall revenue growth has been slower than the norm. The State has had about a quarter of its revenues coming from the oil and gas related sources of severance and royalties and these sources have been declining throughout the 1970's. This declining growth rate for a quarter of the income base combined with "normal" growth rates for the other three-quarters of the income base necessarily implies that the overall growth rate is somewhat less than "normal", or for our purposes, less than the underlying rate of inflation.

To be sure, this has been the situation for the State throughout the 1970's. If it had not been for tax changes in 1973, which significantly raised the severance tax receipts, and in 1977 the State could not have met the increasing expenditure requirements of the decade.

This brings us up to the situation faced by the State entering the decade of the 1980's. Fortunately, the recent developments in national policy, specifically the decontrol of oil prices, will serve

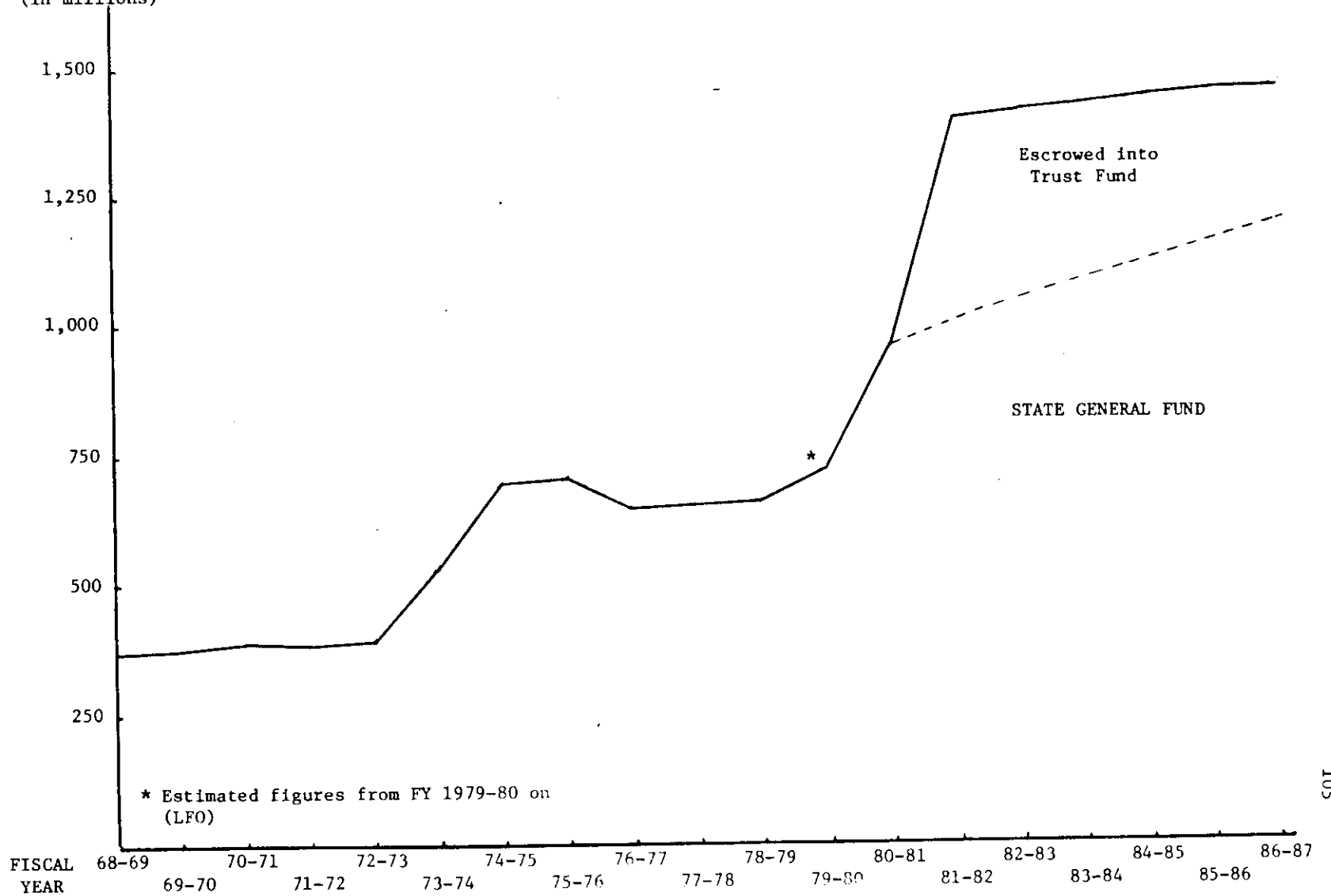
to extend the time before the State finds itself in another financial crunch. To this end the windfall of revenues will provide some of the necessary funds which would otherwise have been raised through tax changes. In fact, were it not for decontrol revenues to be received in FY 1980-81 the State would have been faced with very severe budget constraints with the funding for any significant type of across-the-board pay adjustment just not available.

In many ways the impact on revenues from decontrol will be very similar to the impact that the tax changes of 1973 had. A review of the accompanying graph presenting actual and projected oil severance and royalty income from the early 1970's (prior to the 1973 tax change) to the late 1980's (well after decontrol) will indicate this. Both changes are easily identifiable because they both represent quantum leaps in available revenues. However, after the big jump up in revenues is experienced, a declining or relatively stable growth in revenues is reflected in both cases. This is where the problem originates.

The Legislature must be very careful in its use of the funds made available by the jump. If it funds an item which is on-going and which entails significant growth in expenditures from year to year, then the stable or declining revenue growth from decontrol will not be able to support such expenditures over a continued period of time. Eventually, and possibly very soon, this situation could develop into a fiscal "crunch" whereby the State would have to raise further revenues in order to support the existing base of services provided.

ACTUAL AND PROJECTED
SEVERANCE TAX AND ROYALTY RECEIPTS
FY 1968-69 through FY 1986-87

Severance Tax &
Royalty Collections
(in millions)



III. Financial Alternatives

How can the State resolve this potential problem? The State will likely be plagued with this issue for as long as severance tax and royalty income comprise a significant share of the financial resources available. Given the fact that severance and royalty income is based on declining resources the State of Louisiana should always be aware that revenues from these sources will never grow at high rates on an on-going basis and will, over time, begin to decline. However, they will continue to play a significant role for years to come, and it is precisely because they will that the State should be very careful in what it commits them to.

Prudent use of the windfall gains, such as escrowing a portion of them may help in extending the time before which another fiscal crunch is encountered. Another appropriate use of the funds would be to provide for one-time capital outlay projects which would yield returns far beyond the time of the original investment while not tying the State into on-going, growing expenditures.

RECOMMENDATIONS

The Fiscal Office supports the Trust Fund concept as an alternative to using the windfall revenues for on-going expenditures. However, we also see merit in utilizing the funds for needed capital outlay items as described above. The preference for a future stream of income generated by a Trust Fund or a new highway, which would also yield returns for many years, or for any other use of the windfall funds must be decided by the combined judgement of the Legislature.

However, this Office strongly recommends against using the entire windfall of revenues for such items as salary adjustments or on-going programs, which will continue to grow over time. The revenues derived from oil and gas activity in the State will just not be capable of supporting a growing base of expenditures for an extended period of time.

It should be noted that the windfall revenues available in FY 1980-81 are in question as to whether they should legally be deposited in the Trust Fund as established. Although the escrow of funds (or dedication of funds to one-time expenditures) are suggested alternatives, it is also apparent that current budgeted requirements and the desire by both the Legislature and Administration to provide a pay plan will practically eliminate the possibility of any escrow of funds for FY 1980-81. For the short-run, that is through the subsequent fiscal year, 1981-82, the situation is not critical for windfall collections will continue to grow very fast through that year. However, the years following FY 1981-82 will likely be very much impacted by the type of expenditures incurred or not incurred in FY 1980-81 and FY 1981-82.

It should also be mentioned that the windfall revenues available to be escrowed from FY 1981-82 on will be a very limited amount. Again, the graph will show the escrowed portion of the windfall revenues. The provisions of Act 791 stipulates that the "base" amount of collections going into the State General Fund will escalate each year at the rate of the Consumer Price Index. Projections by the Fiscal Office indicate that if escrowing under the provisions of Act 791 began in FY 1981-82 that within about ten years the "base" amount

going into the State General Fund will begin to exceed the total collections from severance tax and royalties and thus no funds will be available to go into the Trust Fund. Total Trust Fund deposits are estimated at about \$2.5 billion over the ten year period.

With regard to any ultimate decision made to use the Trust Fund concept (or any other dedication of the windfall revenues) the Fiscal Office recommends that the Legislature:

- 1) Specify precisely the use of the funds whether it be for generating interest income, transportation, capital outlay, energy development, or whatever. Consideration should also be given to placing any such dedication of funds into the Constitution.
- 2) Use any windfall revenues not escrowed into restricted funds for capital outlay or other one-time purposes to the greatest extent possible. This gives the Legislature flexible use over such funds in subsequent years.

We have attempted to briefly lay out the basic options available to the Legislature regarding the use of windfall revenues from decontrol policy. There are a multitude of specific avenues which may be taken. The Fiscal Office is available for discussions regarding the precise specification of any of the above described options.

JUDICIARY DEPARTMENT

Separate Appropriations Bill for the Judiciary Department

ISSUE:

Article II of the Constitution establishes the judicial branch as one of the three separate, coequal and independent branches of government. Historically, the Judiciary Department budget request has been included in the Executive budget. However, just as the Legislative and Executive branches are included in separate appropriation bills, so is the judicial branch entitled to its own and separate appropriation bill.

RECOMMENDATION

The Judiciary Department should be included in a separate appropriation bill subject to the Legislative and Executive Department review process.

Professional Service Itemization

ISSUE:

Prior to the enactment of the 1979 General Appropriation Bill funds were provided to the various State agencies for consulting, personal and professional services in a lump sum. The only apparent legal restriction on an agency contained in the Appropriation Bill was that the agency could not spend more than provided in this category. An analysis by the Legislative Fiscal Office that was presented to the House Appropriations Committee during the 1979 Session demonstrated that there was little relationship between the request of the agency, the recommendation contained in the Executive Budget, the funds provided by the Legislature and the projects which were actually carried out. For example, in the Department of Health and Human Resources in 1978-79 no funds were appropriated for the "Development of the Zip Slip Project". A contract was awarded to Delta Management for \$120,000. In the same year \$200,000 was appropriated for a Management Control System in the Office of Health Services. Delta received a contract for \$720,000. The Health Education Authority entered into a contract in 1978-79 with Kidde Consultants for \$416,294 to serve as professional engineering consultants for a "Central and Thermal Energy Feasibility Study" although no funds were appropriated for this. As can be seen, agencies were committing large sums of State funds without Legislative review and approval.

The Legislature acted in the 1979 Session to insure that funds provided to the agency were spent for the purposes for which funds were appropriated by itemizing the services and projects in additional

detail. The language of the Bill requires that no funds can be utilized to pay any contract for consulting, personal or professional services unless the same was included specifically within the Executive budget and was specifically authorized in the Bill or was specifically authorized by the Legislature alone. The agencies were given the latitude to transfer up to 10% from one category to another.

RECOMMENDATIONS

1) It is recommended that this procedure be continued in the 1980 General Appropriation Bill. This will effectively provide that the Legislature's intent and directives in funding contracts for consulting, personal and professional services will be complied with and at the same time provide the agency with sufficient administrative latitude to meet the needs of the agency.

2) The Division of Administration should effectively monitor and disapprove any expenditures not in compliance with these provisions.

Self-Insurance

ISSUE:

State government is faced with spiraling commercial insurance costs with premiums commonly rising between 25 and 150% annually depending on the line of coverage. For example, Workmen's Compensation coverage is expected to rise between 125% and 150% in the 1980-81 fiscal year.

At the request of the Legislative Oversight Committee, the Fiscal Office has conducted a study on the feasibility of expanding the State's self-insurance program. This study has demonstrated that millions of dollars annually could be saved by self-insuring in the areas of workmen's compensation, auto and general liability as well as by expanding our self-insured fire coverage.

Additional details on this subject are contained in a 143-page report titled "Self-Insurance--A Risk Management Alternative for Louisiana" that can be obtained from the Legislative Fiscal Office.

RECOMMENDATIONS

1) An Office of Risk Management be established within the Division of Administration because of their administrative responsibilities over State agencies. This will centralize all risk management duties within one office. An office currently exists there, established by executive order, that is responsible for meeting the State's insurance requirements.

2) A Self-Insurance Fund be established in the Treasury composed of premiums paid by State agencies, investment income and any commissions

retained. Legislation should prohibit the use of these funds for purposes other than those associated with the risk management program.

3) The Office be required to assess premiums based on loss experienced and exposure levels as well as to provide certain information on the program annually to the Legislature. This information should include current data on premiums and incurred losses for each line of coverage, a current financial statement detailing the assets and liabilities for each account, data on all associated administrative costs, data on loss experience and a record of all claims paid under self-insurance programs.

4) The Office should develop a loss control program and assist state agencies in reducing injuries.

5) The State should become totally self-insured for workmen's compensation coverage by July 1, 1980. Other coverages should be self-insured when determined feasible.

State Civil Service and the Division of Administration:
Acquisition of an Integrated Personnel, Payroll and
Budgeting Data System

ISSUE:

There is a need for the Division of Administration and State Civil Service to acquire an integrated information system which will provide data relative to personnel, their cost, and their budgeted levels. Such a system would equip both divisions with the tools to make decisions on the basis of appropriate and accurate information.

For instance, before approving reclassifications of positions for agencies State Civil Service could verify that the agencies do have the necessary funds available to fund the pay changes. The Division of Administration and Civil Service would both be able to obtain detailed, accurate information on the precise costs of reallocations and pay plans. The Division of Administration would have the capability to monitor any development of vacancy savings in the budgets. A whole host of other managerial enhancements would be possible with such a system.

Considerable study by the involved agencies has been conducted to date to identify the most appropriate approach to obtaining such capabilities and a budget proposal is to be compiled which will reflect the funding requirements of at least the initial stage of the project.

RECOMMENDATION

It is recommended that the budget proposal for the EDP information system be carefully reviewed for its appropriateness but that

some action be taken with regard to providing the necessary funding in order to initiate this project during FY 1980-81.

Surplus Funds

ISSUE:

The funds that the Legislature has available each year for appropriating to the various operations of State government can generally be broken down into two funding sources: recurring and non-recurring. Recurring sources would include funds received from such sources as sales taxes, personal income taxes, severance taxes and gasoline taxes. These sources are fairly predictable and available on a year-to-year basis. These funds are generally used to fund the operations of State agencies as well as new programs and inflationary increases. Non-recurring funds include "surpluses" and such things as federal funds that are available on a short-term basis or whose receipt can not be counted on to continue indefinitely. Surplus funds occur when the Legislature appropriates funds at a certain level but the actual collections come in at a level higher than anticipated or an agency spends less than its appropriated level. The large surplus anticipated at the end of the 1979-80 fiscal year will come from severance taxes (\$39 million), interest on investments (\$58 million) and bonuses (\$70 million). In addition, \$68 million will be available from unexpended 1978-79 appropriations to state agencies.

At the end of this year we will have an estimated \$240 million in non-recurring "surplus" funds available for appropriation. This money will be available on a one-time basis. If these funds are utilized to fund recurring expenditures, such as pay raises or new programs, the State will in effect have spent the money twice as these funds

have also been built into the base used in projecting our revenue increases. As an example, consider a family which has a \$20,000 disposable income in the 1979-80 fiscal year and has committed all of this income for such recurring expenditures as house payments, food and utility payments. They also receive \$2,000 as a gift from an estate which they used as a down payment on a second car with \$200 monthly notes. They have now committed themselves to an expenditure level of at least \$22,400 during the 1980-81 fiscal year. Assuming a 10% increase in their disposable income for that same year, they will have only \$22,000 or \$400 less than needed. Their only alternatives are to cut back on their expenditure levels, borrow funds or increase their income by additional work. The State could be faced with a similar problem but on a much larger scale if we were to utilize surplus funds for recurring expenditures.

RECOMMENDATION

The Legislature utilize the projected surplus for non-recurring expenditures such as capital outlay projects. This would include such things as highway construction and overlay, new facilities, bridge repairs and equipment.

Tax Audit Coverage

ISSUE:

The Department of Revenue and Taxation has requested for FY 1980-81 a significant increase in audit positions so that the degree of audit coverage in several areas can be enhanced. A total of thirty-two positions have been requested for expanded audit coverage with three of those positions being for the department's Internal Audit Section. The twenty-nine other auditing positions are to be utilized in the following areas:

- 1) Motor Vehicle Audit Unit: five positions
- 2) Out-of-State Audit Services: ten positions
- 3) Office Audit Section: six positions
- 4) Tidelands Audit Section: eight positions

The department argues that audit coverage is low, that there are tax dollars due the state which will not be collected unless the audits are performed, and that by making the chance of being audited more likely there will be improved voluntary compliance by taxpayers in general.

Currently audit coverage is quite low: less than one percent of the 83,500 corporations filing a return were audited and only about one percent of the 78,000 General Sales taxpayers were audited in FY 1978-79. For that year the overall cost per dollar collected through the audits was 8.3 cents; clearly it is beneficial to the State to spend less than a dime in order to collect another dollar of tax revenues. In fact, this statistic, "cost per dollar collected", is a

very good measure to determine whether additional audit coverage is worth its cost.

Obviously, as additional auditors are added and audit coverage improves the cost of collecting a dollar will go up. The more audits that are conducted necessarily implies that there are less to be done with less potential for yielding significant audit returns. This argument implies that audit coverage should be expanded gradually through phases or steps so that the measure "cost per dollar collected" can be monitored and reviewed to see what impact each expansion in audit coverage has had.

RECOMMENDATION

The request of the Department of Revenue and Taxation can actually be broken down into two parts: (1) audit positions for expanded general coverage and, (2) audit positions as a result of a particular situation, the Tidelands settlement. With regard to the first group, it is recommended that sixteen of the requested twenty-four positions be funded for FY 1980-81. Considering that some additional audit positions were added in FY 1979-80 it is recommended that audit coverage and "cost per dollar collected" figures resulting from these enhancements be reviewed before the complete request of the department is considered.

It is recommended that the second part of the request be phased in also. The necessary activities related to the Tidelands settlement are pending the final decision of the courts. This final settlement is expected in October, 1980. However, it was also expected, at one time, before the end of the current fiscal year. With assurances that

a decision should be reached at some time during FY 1980-81 it is recommended that partial funding of the request for Tidelands audits be provided. Specifically, it is recommended that eight positions requested be funded for six months.